

ACT ON BASES AND STARTING POINTS FOR THE FREEDOM OF ARGENTINE CITIZENS:

ACT 27.742

Large Investments Incentive Regime

EXECUTIVE SUMMARY

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PROYECTÁNDONOS AL FUTURO



What is the Large Investments Incentive Regime?

CONCEPT OF “RIGI”

The Large Investments Incentive Regime (RIGI in Spanish) makes up the Act on Bases and Starting Points for the Freedom of Argentine Citizens and is designed to attract large capital through a scheme that reduces taxes, customs controls and exchange regulations, offering tax stability for a period of 30 years. Its purpose is to encourage:

- Investments higher than USD 200 MM, with a cap of up to USD 900 MM;
- Long-term Projects of Strategic Exports: minimum investments in assets of USD 1,000 million or more, to position Argentina as the new global supplier in Argentina.

PURPOSE

The purpose of the RIGI is to encourage both, national and foreign investments, as well as to stimulate economic growth. It is intended to improve competition in specific economic sectors and to generate new job opportunities, with extensive benefits in tax, exchange and customs issues.

Scope of Application

- It extends throughout the Argentine territory according to the regulations set forth by the National Executive Branch.
- National Interest: Large investments in the “RIGI” are declared of national interest benefiting the country’s prosperity and the well-being of all the provinces and municipalities.

PRIORITIES OF THE “RIGI”

- Encourage national and foreign investments
- Stimulate the economic development and strengthen competition
- Increase exports of goods and services
- Favor the creation of jobs
- Guarantee stability and predictability for investments
- Offer legal certainty and special protection in view of possible regulatory changes
- Coordinate the development of competent duties between the National Government and the provinces
- Stimulate local production chains associated to investment projects



Presidente de la Nación Argentina

LEY DE BASES Y PUNTOS
PARTIDA PARA LA LIBERTAD
DE LOS ARGENTINOS

Authorized Subjects and terms

APPLICABLE SECTORS

The “RIGI” applies to large investments in the forest-industry, tourism, infrastructure, mining, technology, iron-steel, energy, oil and gas sectors that meet the requirements set forth herein.

AUTHORIZED SUBJETS

- Single Project Vehicles (VPU in Spanish): Corporations, Limited Liability Companies, branches of foreign companies, temporary union of companies and other associative contracts.
- Dedicated branches: Corporations, Limited Liability Companies or Branches of Foreign Companies that choose to establish separate branches for specific projects (Section 170)
- The holders of concessions related to the execution and/or exploitation of infrastructure works and/or provision, operation and/or administration of services, which are provided in competition with other concessionaires, operators or providers at a local or regional level, may join the RIGI if: (i) they present an investment plan that qualifies as Large Investment under this regime and (ii) they satisfy the remaining requirements and conditions for inclusion in the “RIGI”.
- Suppliers of goods or services: May request their registration with the RIGI exclusively for the purposes of having the tax incentives with respect to imported goods for a VPU that joined the RIGI.

ADHESION TERM

Authorized subjects have two years as from the effectiveness of the Act to join the “RIGI”. This term may be extended once for up to an additional year by the National Executive Branch





Authorized Subjects

Suppliers of goods and services

Suppliers of goods or services with imported goods may request their registration with the RIGI exclusively in connection with the goods they import for the service they intend to offer to a VPU that joined the RIGI.

BENEFITS

- Imports of new capital goods, spare parts, parts, components and consumer goods, as well as temporary imports carried out by the VPU that joined the RIGI, will be exempted from import duties, the statistics and verification of destination fee, and every regime for the income, collection, advance or withholding of national and/or local taxes. Any imposition in this sense will be considered a violation of the provisions of Section 165 of this Act.

OBLIGATIONS

- Goods: The supplier must declare its percentage of sale on an annual basis for “RIGI” projects attaching a certification issued by a certified public accountant. Failure to comply with it suspends the incentives.
- Services: Failure to comply with the provisions will qualify as an infringement subject to the penalties to be assessed by the Enforcement Authority.
- They are compelled to comply with the annual billing requirements and declarations before the Enforcement Authority of the regime. This includes to inform on the percentage of their total billing corresponding to the supply of goods or provision of services for the VPUs registered with the “RIGI”

BRANCH DEVOTED TO THE “RIGI”

Corporations, Limited Liability Companies or a branch of a company organized abroad may choose to establish a specific branch to join the Large Investments Incentive Regime-.



Incentives of the “RIGI”
shall apply only to this
specific branch

- Must be registered with the local public registry.
- Obtain a Unique Tax Identification Code (CUIT) and comply with local taxes.
- Have an assigned capital exclusively for the “RIGI” Project
- Must have designated as its sole purpose the development of the investment project
- Have assigned only the assets, liabilities and personnel that will be involved in said investment project;
- All the assets, liabilities and personnel must be exclusively devoted to the “RIGI” Project
- Keep separate accounting from the parent company.





TERMS FOR INCLUSION IN THE “RIGI”

LARGE INVESTMENTS

Long-Term Strategic Export
Projects: minimum
investments in assets of USD
1,000 millions
or more, to position Argentina
as new global supplier

Projects involving acquisition,
production. Construction or
development of assets

- Minimum Investment in eligible assets < USD 200 million (with the exceptions defined by the National Executive Branch up to USD 900 millions)
- Minimum investment of 40% of the amount during the 1st and 2nd year
- “Long-term” investments according to the “RIGI” criteria



TAX AND CUSTOMS INCENTIVES

INCOME TAX RATE

The VPUs that joined the “RIGI” will be subject to a rate of 25% for the income tax, and the rate provided for in section 73 of the Income Tax Act that may reach 35% is not applicable (Section 183).

ADJUSTMENT OF VALUES:

Adjustments are based on the variations of the Consumer Price Index (IPC in Spanish), without applying section 93 of the Income Tax Act.

AMORTIZATION OF GOODS:

In amortizable personal property acquired, manufactured or imported: at least in two (2) annual, equal and consecutive installments.

In mines, quarries, forests and similar assets or in infrastructure works started in said period: at least in the number of annual, equal and consecutive installments that arise from considering their useful life reduced to sixty percent (60%) of the estimated one (when in practice it should be made by dividing in value by the useful life). Hence, the amortization process is accelerated in 60%.

REPLACED GOODS

If the goods that qualified for tax benefits are replaced, amortizations in excess must be reimbursed if the new goods are not devoted to the project.

TAX LOSSES AND PAYMENTS TO FOREIGN BENEFICIARIES

- Tax losses of a fiscal period not absorbed by taxable income may be deducted from future income without time limit or transferred to third parties after five years. They will be adjusted by the variation of the Internal Wholesale Price Index (IPIM in Spanish), published by the National Institute of Statistics and Census (INDEX in Spanish).
- In the case of Branches, after five years without such losses being absorbed by taxable income, they may be used to absorb taxable income of the company to which they belong or transferred to third parties.
- In Long-term Strategic Exports to foreign beneficiaries for maritime locations or charters, by International transportation services intended for exports and for services included in engineering, procurement and construction management contracts will be exempted from Income Tax-
- For the rest of the amounts paid, it will be considered as net income of 30% against all evidence to the contrary, unless there is a more favorable regime.

REDUCTION OF THE INCOME RATE ON DIVIDENDS

- Net income coming from the VPUs that joined the RIGI, will be taxed at the rate of seven percent (7%).
- Once a period of 7 years has elapsed as from the date of joining the RIGI, the income for dividends and profits will be reached by a rate of 3.5%. (Sections 184 and 185).





SPECIFIC INCENTIVES AND EXEMPTIONS

SPECIFIC INCENTIVES

- VAT: When the VPU's have been invoiced with VAT for the purchase of fixed assets or for investments in works and services necessary for the project, they may pay VAT by using Tax Credit Certificates, provided that they are specifically allocated to the project.
- Suppliers may apply for the return or transfer to third parties of unused balances of Tax Credit Certificates, and if the Federal Administration of Public Revenues (AFIP in Spanish) does not proceed with the return within a period of three months, the beneficiary may transfer the remainders of said unused balances without the need for prior approval thereof.

CUSTOMS EXEMPTIONS

- Imports: Exempted from import duties and other local or national taxes.
- Exports: Exempted from export duties, after three years have elapsed from the date of adhesion to the regime, and for the categories of Long-Term Strategic Export, exemption applies after two years.

TAX AND CUSTOMS BENEFITS

ADVANTAGES

The VPU may compute 100% of the amounts paid and received as tax on debits and credits in bank accounts, as income tax credit. (Section 189)

EXEMPTED IMPORTS

- Imports of new capital goods, spare parts, parts, components and consumer goods, as well as temporary imports carried out by the VPUs that joined the RIGI, will be exempted from import duties, the statistics and verification of destination fee, and every regime for the income, collection, advance or withholding of national and/or local taxes.
- The ownership, possession, holding or use of the goods benefited from the treatment provided for in the previous paragraph, except for supplies used for production, cannot be transferred, unless said transfer is made to another VPU that joined the RIGI. (Section 190)





EXPORTS

- Exports for consumption of goods obtained under the promoted project, carried out by the VPU holders that joined the RIGI will be exempted from export duties, after three (3) years have elapsed from the date of adherence to the RIGI.
- The exports carried out by the VPU holders of declared Long-Term Strategic Export projects will be exempted from export duties, starting two (2) years from the date of adherence to the RIGI. (Section 191)

OTHER INCENTIVES OF THE RIGI



Deduction

Interest and exchange differences caused by the financing of the project may be deducted or added to losses and the limits of the Income Tax will not be applicable during the first 5 years from the date of adhesion to the RIGI.

Freedom

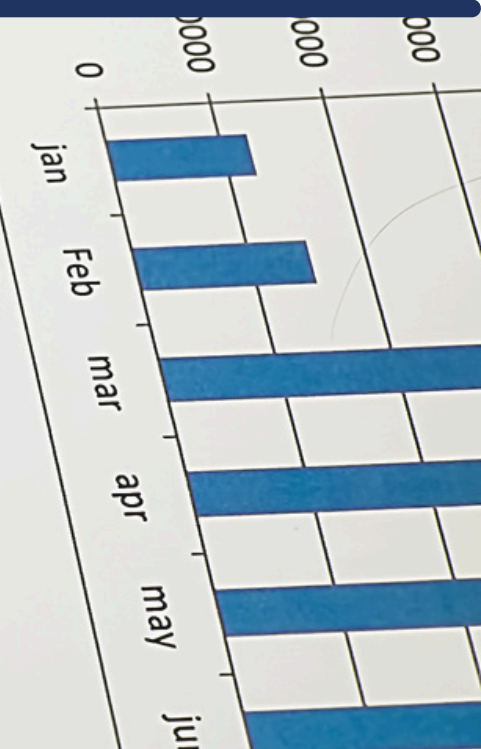
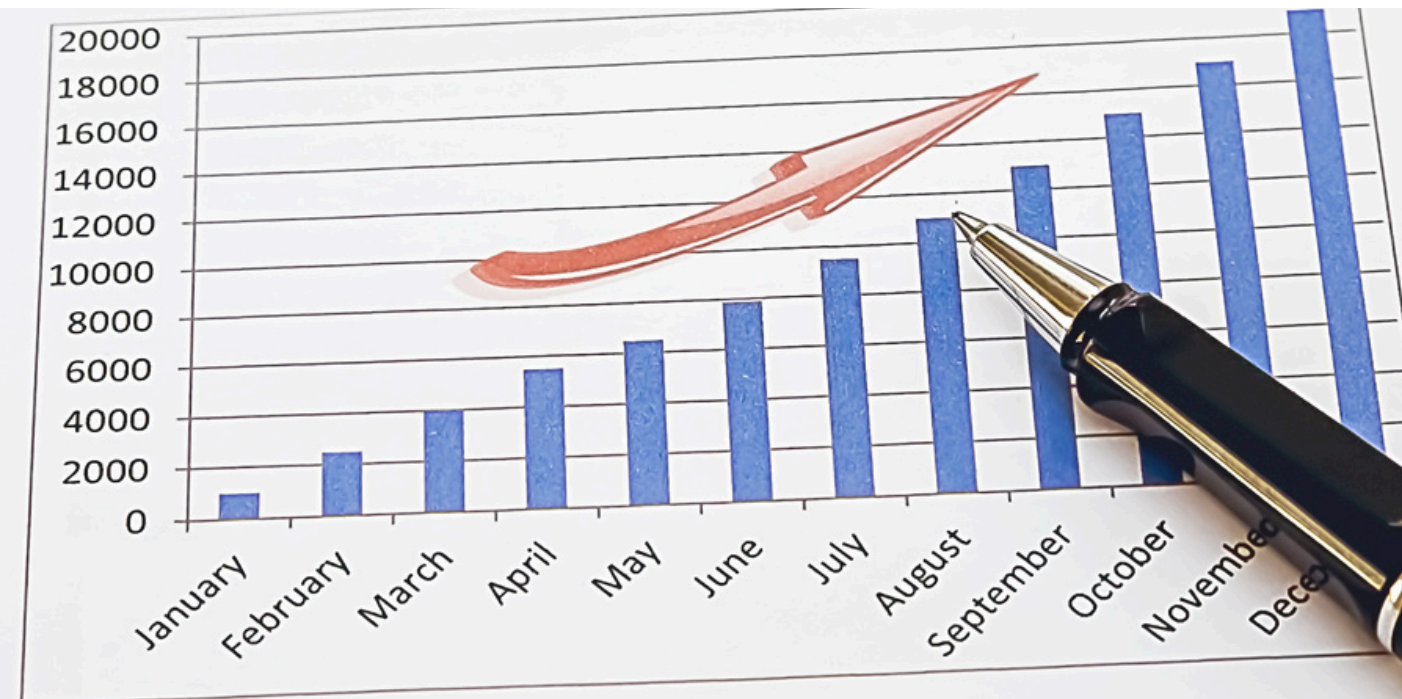
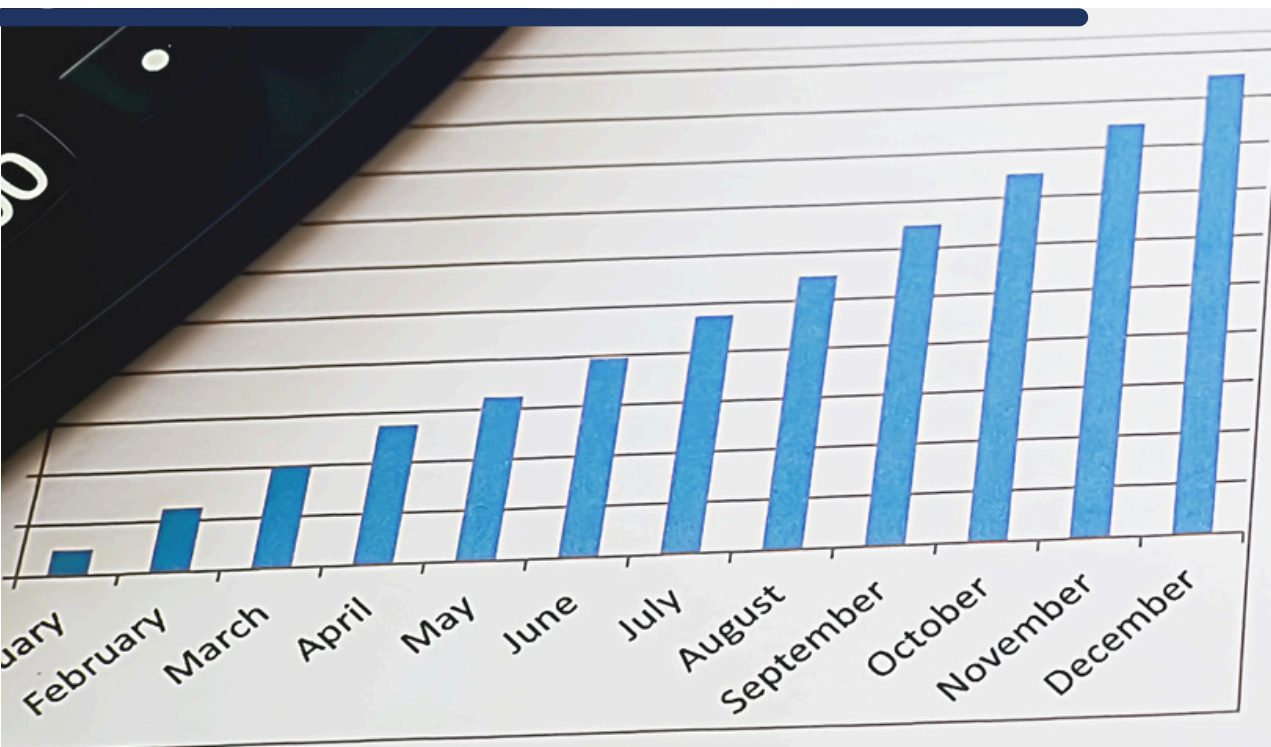
The VPU's may freely import and export goods for their project, without quantitative, qualitative or economic restrictions

Accountancy

The VPU's may choose to keep their accounting records and financial statements prepared in US dollars by using International Financial Reporting Standards.

Restrictions

Incentives must not result in a transfer of income to foreign tax authorities under the rules of the global minimum tax





EXEMPTION OF EXCHANGE MARKET OBLIGATIONS

The VPUs are exempted from the obligation of entry and/or settlement in the exchange market for collection of exports, according to the following percentages:

- 20% after 2 years have elapsed from the date of start-up of the VPU;
- 40% after 3 years
- 100% after 4 years

The VPUs will not be obligated to enter and/or settle in the exchange market foreign currency and/or any equivalent value corresponding to other items or concepts linked to the project that is the subject matter of the approved investment plan. The exempted funds are freely available for the VPUs.

Application for Strategic Exports Projects: For VPUs with projects declared Long-Term Strategic Exports, the terms are reduced:

- 20% after one year has elapsed from the date of start-up
- 40% after two years have elapsed
- 100% after three years have elapsed

FREE AVAILABILITY OF FINANCING AND EXTERNAL ASSETS

- Local or external financing taken by the VPU that joined the RIGI are freely available abroad or in the country
- There are no restrictions on the holding of liquid external assets
- Exchange regulations, do not impose restrictions if the VPUs comply with certain requirements related to entry and settlement in the exchange market
- The Central Bank (BCRA) regulation: The BCRA will issue regulations in order to implement these rights in the exchange market

EXCHANGE INCENTIVES





FREE AVAILABILITY OF CURRENCY

The Central Bank of the Argentine Republic will establish the regulations in the foreign exchange market.

LOCAL OR FOREIGN FINANCING

- Currency disbursed after the effectiveness of the Act are freely available abroad or in the country
- Funds may be freely used by the VPU

NO EXCHANGE RESTRICTIONS IMPOSITION

- There are no limits on the holding of liquid foreign assets for the VPU that joined the RIGI
- Exchange regulations do not impose restrictions to have access to the exchange market, except for specific obligations such as payment of debts, distribution of dividends, repatriation of investments, prioritizing liquid foreign assets.

ADMINISTRATIVE FACILITATION

- The public organizations and private entities will facilitate access to the exchange market for the VPUs that joined the RIGI, ensuring that it does not affect the normal development of the project.



GUARANTEES TO THE VPUs THAT JOINED THE RIGI

Full availability of Products

- No commercialization obligation in the local market
- Export of products of the project without restrictions

Protection

- Guarantee against confiscatory or expropriation acts by Argentine authorities
- Governmental cooperation to repel such acts by any national or foreign authority

Continued operation

- The right to continuously operate, except for a judicial order with the right of previous defense
- Feasibility and continuous operation of the project during all its ensured useful life

Payment of Profits

- Access to the exchange market to pay profits, dividends and interest.
- Without the need for prior approval from the Central Bank if the investment has entered through the free exchange market

Access to Justice

- Unrestricted access to justice and legal remedies available for the defense of rights related to the approved investment project.



Stability. Compatibility with other regimes. Assignments



REGULATORY STABILITY

The VPUs that joined the RIGI enjoy regulatory stability in tax, customs and exchange matters, for 30 years following the date of adhesion by the VPUs with the possibility of extension for Long-Term Strategic Exports, as from the start-up of each stage of the project.

TAX STABILITY

The taxes to be imposed are those in force at the time of adhesion, excluding new taxes or increases. The VPUs may benefit from reductions of taxes in the general regime. Payments and social security contributions or the increase of the VAT rates are not reached

CUSTOMS REGIME

Imposition of the tax regime in force at the time of adhesion for imports and exports, with self-settlement simplified procedures (Section 204)





PROVISIONS ON TRANSFER AND BENEFITS OF THE RIGI



Transfer and Legal Dealings

- Transfer of shares, quotas or percentage interests without prior authorization
- Compulsory report to the enforcement authority within the following 15 days
- Possibility of creating a pledge, assignment as collateral, trust or other guarantee legal dealings with local or foreign financial institutions.
- Report to the enforcement authority within the following 15 days

Accumulation of Benefits

- The benefits of the RIGI cannot be accumulated with similar incentives of other preexisting promotional regimes
- Adhesion to the RIGI does not imply a waiver or incompatibility with other effective and/or future regimes
- Combination of incentives of different nature that do not overlap or are repeated with those of the RIGI
- The restrictions of section 32 of Act 24,331 that prevent users of free trade zones to qualify for tax benefits and incentives

Jurisdiction and Arbitration

Regime



- Disputes between the National Government and a VPU that joined the RIGI, will be resolved, firstly, through friendly consultations.
- If the Disputes cannot be resolved within a period of 60 days, the VPU may choose to resolve them through:
 - The 2012 PCA Arbitration
 - The Arbitration Rules of the International Chamber of Commerce
 - The Convention on the Settlement of Investment Disputes between States and Nationals of Other States
 - The ICSID Arbitration Rules
- Arbitration must be established outside Argentina in a country that is a party to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards
- Three arbitrators chosen in accordance with the applicable rules, none of the arbitrators may be a national of Argentina or the state of origin of the majority shareholder of the VPU.
- Language of the arbitration: Spanish, except in specific cases in which it may be conducted in the Spanish or English languages
- It does not affect the rights of the VPU or the obligation of the Argentine Government pursuant to the regime that has been set forth

Thanks!



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