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# ARGENTINA

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**Note:** The information contained in this book includes cross-references to more detailed commentary from CCH's *Worldwide Business Tax Guide*, an online service updated monthly — keeping you up to date with all the relevant changes.

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## ARG ¶1-001 SNAPSHOT

<b>Tax authority</b>	Federal Administration of Public Revenue (Administración Federal de Ingresos Públicos (AFIP)) www.afip.gov.ar	
<b>Tax year</b>	1 January — 31 December (calendar year) A company's tax year should be its accounting year, or the calendar year if there is no obligation to keep accounting records.	
<b>2010 tax rates</b>	Corporations — 35% on income and capital gains (ARG ¶1-020(a)) Individuals — 9% to 35% on income and capital gains depending upon taxable income (ARG ¶1-020(b))	
<b>VAT/GST</b>	The current standard rate of VAT is 21%. A higher rate of 27% applies to the sale of utilities supplied for uses other than residential use. A reduced VAT rate of 10.5% applies to certain activities, and VAT law sets specific reduced rates for certain activities. Exports are exempt from VAT. (ARG ¶1-185).	
<b>Capital gains tax (CGT)</b>	Capital gains are calculated according to the Argentine income tax rules, fall within the general tax base and are subject to tax at the corporate tax rate of 35%. (ARG ¶1-060)	
<b>Losses</b>	Losses derived from the sale of shares, quotas or partnership participations may only be allocated against gains resulting from the sale of such assets. Loss carry-forwards can offset certain profits in certain circumstances. A taxpayer may carry forward federal losses in some situations. (ARG ¶1-080)	
<b>Treaty network</b>	18 treaties in force (ARG ¶1-005)	
<b>Withholding tax (non-residents)</b>	Interest	15.05%/35% (ARG ¶1-020(c))
	Dividends (excess over taxable income)	10%/35% (ARG ¶1-005, ARG ¶1-020(c))
	Royalties	28% (ARG ¶1-020(c))
<b>Group consolidation</b>	Argentina does not allow tax consolidation for related companies. Each company must report its income separately and there is no offset of losses from one company to another. (ARG ¶1-180)	
<b>CFC rules</b>	Yes (ARG ¶3-060)	
<b>Thin capitalisation restrictions</b>	Yes. Interest paid to non-residents without having applied 35% income tax withholding is not deductible to the extent that the total amount of a company's liabilities for the fiscal year exceeds twice the amount of equity as of the same date (maximum debt/equity ratio of 2:1). (ARG ¶1-110(a))	
<b>Currency</b>	Argentine pesos	
<b>Exchange controls</b>	Yes (ARG ¶2-010)	

**ARG ¶1-005 TAX TREATIES — WITHHOLDING TAX RATES**

The following rates of Argentine withholding tax apply to interest, royalties and copyright royalties under tax treaties concluded by Argentina. Withholding tax on dividends is only applied on their excess over the accumulated taxable income.

	<i>Interest</i> %	<i>Patent royalties</i> %	<i>Copyright</i> %	<i>Dividends</i> %
<i>Non-treaty</i> <sup>1</sup>	15.05/35	28	12.25	35
<i>Treaty:</i>				
Australia	12	10/15 <sup>2</sup>	10/15 <sup>3</sup>	10/15 <sup>4</sup>
Belgium	12	3/10/15 <sup>6</sup>	5/- <sup>1,7</sup>	10/15 <sup>4</sup>
Bolivia	- <sup>1</sup>	- <sup>1</sup>	- <sup>1</sup>	- <sup>1</sup>
Brazil	- <sup>1</sup>	- <sup>1</sup>	- <sup>1</sup>	- <sup>1</sup>
Canada	12.5	3/10/15 <sup>6</sup>	5/- <sup>1,7</sup>	10/15 <sup>4</sup>
Chile	- <sup>1</sup>	- <sup>1</sup>	- <sup>1</sup>	- <sup>1</sup>
Denmark	12	3/10/15 <sup>6</sup>	5/- <sup>1,7</sup>	10/15 <sup>4</sup>
Finland	15	3/10/15 <sup>6</sup>	5/- <sup>1,7</sup>	10/15 <sup>4</sup>
France	- <sup>1</sup> /20	18	12.25 <sup>1</sup>	15
Germany	10/15 <sup>8</sup>	15	12.25 <sup>1</sup>	15
Italy	- <sup>1</sup> /20	18	10/- <sup>1,9</sup>	15
The Netherlands	12	3/10/15 <sup>6</sup>	5/- <sup>1,7</sup>	10/15 <sup>4</sup>
Norway	12.5	3/10/15 <sup>6</sup>	5/- <sup>1,7</sup>	10/15 <sup>4</sup>
Russia	15	15	12.25 <sup>1</sup>	10/15 <sup>4</sup>
Spain	12.5	3/10/15 <sup>6</sup>	5	10/15 <sup>4</sup>
Sweden	12.5	3/10/15 <sup>6</sup>	5/- <sup>1,7</sup>	10/15 <sup>4</sup>
Switzerland	12	3/10/15 <sup>6</sup>	5/- <sup>1,7</sup>	10/15 <sup>4</sup>
United Kingdom	12	3/10/15 <sup>6</sup>	5/- <sup>1,7</sup>	10/15 <sup>4</sup>

*Footnotes:*

- 1 Rates according to Argentine income tax law.
- 2 The 10% rate applies to the use of industrial or scientific equipment, auxiliary assistance related to it or to copyrights and technical assistance.
- 3 The 10% rate applies to literary, musical and artistic copyrights.
- 4 The 10% rate applies if dividends are paid to a person who owns at least the 25% of the capital of the payer.
- 6 The 3% rate applies to the use of new concessions; the 10% rate applies to the use of industrial, commercial or scientific equipment, patents, trademarks and technical assistance; and the 15% rate applies in all other cases.
- 7 The 5% rate applies to literary, scientific and artistic copyrights. The non-treaty 12.25% rate applies to cinema, video and television transmissions.
- 8 The 10% rate applies if interest is paid in relation to the sale of industrial, commercial or scientific equipment or in respect of a loan for financing public works, or if interest is paid to a bank however it is used.
- 9 The 10% rate applies to literary, scientific and artistic copyrights.

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# JAPAN

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### About Sakura Horwath & Co

With a dedicated core of certified (Japan and US) public accountants, tax accountants, and real estate appraisers, Sakura Horwath & Co started operations in 1988, doing comprehensive consulting work in management and financial affairs for businesses and their owners. Since then, the range of services has widened to include asset liquidation/securitisation, tax reporting for individuals and companies, business succession, corporate restructuring, business revival, financial product development, M&A, “due diligence” review, fund management, and enterprise valuation.

#### *Tax services*

We formulate plans to minimize tax risks for clients. In addition, we stay on top of the day-to-day paperwork needed to make the necessary filings with government agencies, on time and with confidence. As well as dealing with tax risks accrued from past and current investments and activities, we tackle proposals for hedging future anticipated risks in advance. That’s because we view our tax services as a form of “tax protection” tasked with implementing immediate precautions.

#### *Entertainment business consulting*

As part of its general tax and accounting services, Sakura Horwath & Co has stepped up its consulting in the entertainment world. Staff members with broad experience in tax matters and a familiarity with the practices of the sports and show business fields are ready to provide optimal solutions for companies and individuals.

#### *Securitisation of business assets*

Sakura Horwath & Co is in the vanguard of accounting firms that have developed this market in Japan. We are proud of the number of consulting projects we have undertaken that have led to the successful formation of special purpose company (SPC) structures. Services include:

- consultation on vehicle formation
- tax consulting for SPCs
- consulting on accounting procedures
- accounting/tax opinions
- comfort letters
- fairness opinions.

#### *Other services:*

- M&A restructuring
- appraisals for financial institutions and law firms
- appraisals for financial institutions and accounting firms
- international business
- public appraisal work.

## JPN ¶1-001 SNAPSHOT

<b>Tax authority</b>	National Tax Agency (NTA) www.nta.go.jp
<b>Tax year</b>	1 April – 31 March Companies may use any month end as their tax or accounting year end. The tax year end must be the same as the accounting year end. Most corporations prefer 31 March as the tax/ accounting year end, as this is the government's accounting year end.
<b>2010/11 income tax rates</b>	Corporation tax rate (national) (JPN ¶1-020(b)): Corporations with capital of more than ¥100m — 30% Corporations with capital of not more than ¥100m: Annual income of not more than ¥8m — 18% Annual income of more than ¥8m — 30% Cooperative associations and corporations in public interest — 18% Inhabitants tax (local): maximum 20.7% of corporation tax (JPN ¶1-050(a)) Enterprise tax (local): maximum 9.6% of taxable income (JPN ¶1-050(b))
<b>VAT/GST</b>	Consumption tax rate: 5% (JPN ¶1-185)
<b>Capital gains tax (CGT)</b>	Capital gains are taxed in the same way as ordinary income. Additional tax is payable on capital gains arising from land. (JPN ¶1-060)
<b>Losses</b>	Losses are deductible from all income and capital gains of the same accounting period. Companies using blue form return may carry forward losses for seven years. (JPN ¶1-080)
<b>Treaty network</b>	47 treaties in force (JPN ¶1-005(a))
<b>Withholding tax (non-residents)</b>	Interest 15% Dividends 15% or 7% Royalties 20% (JPN ¶2-050)
<b>Group consolidation</b>	Group consolidation is allowed for a parent company and its 100%-owned domestic subsidiaries. (JPN ¶1-180)
<b>CFC rules</b>	Yes (JPN ¶3-060)
<b>Thin capitalisation restrictions</b>	Yes — 3:1 debt/equity ratio (JPN ¶1-110(b))
<b>Currency</b>	Japanese yen — ¥
<b>Exchange controls</b>	International transactions are generally unrestricted. (JPN ¶2-010)

**JPN ¶1-005 TAX TREATIES — WITHHOLDING TAX RATES**

Corporations making certain payments are required to withhold income tax at the rates set out in the table below. Where tax treaties provide maximum rates higher than the Japanese tax laws or do not provide any rates, the table shows the rates provided in the Japanese tax laws.

<i>Recipient</i>	<i>Interest</i>	<i>Royalties</i>	<i>Dividends (portfolio)</i>	<i>Dividends (substantial holding)<sup>1</sup></i>
	%	%	%	%
<b>Japanese corporations</b>	20	nil	20 <sup>2</sup>	20 <sup>2</sup>
<b>Resident individuals</b>	20	nil	20/35 <sup>2</sup>	20 <sup>2</sup>
<b>Non-resident individuals and foreign corporations:<sup>3</sup></b>				
<i>Non-treaty</i>	15/20 <sup>4</sup>	20	20 <sup>2</sup>	20 <sup>2</sup>
<i>Treaty:</i>				
Australia	10	5	10	nil/5 <sup>21</sup>
Austria	10	10	20	10
Bangladesh	10	10	15	10
Belgium	10	10	15	10
Brazil	12.5	12.5/15/25 <sup>9</sup>	12.5	12.5
Brunei Darussalam	10 <sup>27</sup>	10	10	5
Bulgaria	10	10	15	10
Canada	10	10	15	5
China (People's Republic of)	10	10	10	10
Czech Republic	10	nil/10 <sup>10</sup>	15	10
Denmark	10	10	15	10
Egypt	20	15/20 <sup>12</sup>	15	5
Fiji	10	10	15	10
Finland	10	10	15	10
France	10 <sup>7</sup>	nil	10	nil/5 <sup>21</sup>
Germany	10	10	15	10
Hungary	10	nil/10 <sup>10</sup>	10	10
India	10 <sup>8</sup>	10	10	10
Indonesia	10	10	15	10
Ireland (Republic of)	10	10	15	10
Israel	10	10	15	5
Italy	10	10	15	10
Kazakhstan	10 <sup>27</sup>	10	15	5

JPN ¶1-005

<i>Recipient</i>	<i>Interest</i>	<i>Royalties</i>	<i>Dividends (portfolio)</i>	<i>Dividends (substantial holding)<sup>1</sup></i>
	%	%	%	%
Korea (Republic of)	10	10	15	5
Luxembourg	10	10	15	5
Malaysia	10	10	15	5
Mexico	10/15 <sup>20</sup>	10	15	0/5 <sup>21</sup>
Netherlands	10	10	15	5
New Zealand	20	20	15	15
Norway	10	10	15	5
Pakistan	nil/10 <sup>27</sup>	10	10	5/7.5 <sup>19</sup>
Philippines	10 <sup>6</sup>	10/15 <sup>11</sup>	15	10
Poland	10	nil/10 <sup>10</sup>	10	10
Romania	10	10/15 <sup>14</sup>	10	10
Singapore	nil/10 <sup>5</sup>	10	15	5
South Africa	10	10	15	5
Spain	10	10	15	10
Sri Lanka	nil/20 <sup>7</sup>	nil/10/20 <sup>16</sup>	20	20
Sweden	10	10	15	5
Switzerland	10	10	15	10
Thailand	10/25 <sup>8</sup>	15	20	15/20 <sup>17</sup>
Turkey	10/15 <sup>8</sup>	10	15	10
United Kingdom	10 <sup>7</sup>	nil	10	nil/5 <sup>21</sup>
United States	nil <sup>23</sup> /10	nil <sup>24</sup>	10 <sup>25</sup>	nil/5 <sup>26</sup>
USSR <sup>18</sup>	10	nil/10 <sup>10</sup>	15	15
Vietnam	10	10	10	10
Zambia	10	10	nil	nil

*Footnotes:*

- 1 The treaty rates apply only to corporate shareholders. The requisite control and shareholding period for the substantial holdings vary depending upon the countries, and treaties must be checked for conditions.
- 2 The tax rate for dividends of listed stocks is reduced from 20% to 10% for the period from 1 January 2009 to 31 December 2011.
- 3 Where there is a PE in Japan, the withholding tax on loan interests and/or royalties can be exempted when individuals/corporations have advance approval from the tax authorities. However, interest on bank deposits and other similar financial income are always subject to withholding tax at 15%, where reduced tax rates on the interest provided by tax treaties are not applicable. This income is taxed in aggregate with other business income and the withholding tax can be offset against tax liabilities.
- 4 Interest a bank receives is not subject to withholding tax. The 20% rate is applicable to interest on loans.
- 5 Interest on industrial bonds and loans is tax exempt.

- 6 Interest on government bonds and/or interest from designated pioneer companies is taxed at 10%.
- 7 Interest a bank receives is tax exempt.
- 8 Interest arising in a contracting state and derived by the government of the other contracting state, a political subdivision or a local authority thereof, the central bank of that other contracting state or any financial institution wholly owned by that government, or by any resident of the other contracting state with respect to debt claims guaranteed or indirectly financed by the government of that other contracting state, a political subdivision or a local authority thereof, the central bank of that other contracting state or any financial institution wholly owned by that government is exempt from tax in the first-mentioned contracting state.
- 9 Film royalties are taxed at 15%. Trade mark royalties are taxed at 25%.
- 10 Cultural royalties are tax exempt.
- 11 Film royalties are taxed at 15%.
- 12 Film royalties are taxed at 20%.
- 14 Cultural royalties are taxed at 10%.
- 16 Applies only to corporations engaged in industrial activities. Copyrights and film royalties are tax exempt. Patent rights are taxed at 10%. The rate applicable to other corporations is 20%.
- 17 Dividends from industrial companies are taxed at 15%.
- 18 The rates apply to former USSR countries: Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.
- 19 5% for payments to certain parent companies; 7.5% for payments to other parent companies.
- 20 10% on interest received by or from a bank, interest on marketable financial instruments, and interest on credit in connection with equipment/machine sale; 15% in other cases.
- 21 0% for payments to certain parent companies; 5% for payments to other parent companies.
- 23 Interest from financial institutions or pension funds received on or after 1 July 2004 is tax exempt.
- 24 Royalties paid on or after 1 July 2004 are tax exempt.
- 25 10% for dividends paid on or after 1 July 2004.
- 26 0% for payments to certain parent companies; 5% for payments to other parent companies, on or after 1 July 2004.
- 27 Interest received by certain government agencies is tax exempt.