A photograph of an automotive assembly line. In the center, a silver car body is being worked on by several orange robotic arms. The background shows more of the factory floor with various mechanical parts and equipment. The text is overlaid on the image.

Automobiles, Motorcycles & Auto-parts Industry

in Argentina / January 2021

Table of contents



सत्यमेव जयते

01/ EXECUTIVE SUMMARY	- 03 -
02/ MARKET VISION AND STRUCTURE	- 05 -
03/ MAIN COMPETITORS	- 21 -
04/ PUBLIC POLICIES AND TRADE AGREEMENTS	- 25 -
05/ INDUSTRY TRENDS	- 29 -
06/ INTERNATIONAL TRADE	- 33 -
07/ OPPORTUNITIES FOR INDIAN COMPANIES	- 45 -
08/ CONSIDERATIONS FOR FOREIGN INVESTORS	- 47 -
09/ CONCLUSION	- 65 -
10/ USEFUL INFORMATION	- 67 -



01/ Executive Summary



// EXECUTIVE SUMMARY

- According to the International Organization of Motor Vehicle Manufacturers (OICA), Argentina is the 23rd largest world producer of automobiles.
- In 2019, the Argentine automotive fleet comprised 14 million vehicles, of which 75% are cars. Half of these vehicles are registered in the City of Buenos Aires and the Province of Buenos Aires.
- The automotive trade balance has been in deficit since 2017.
- Argentina's main trading partner is Brazil, both in terms of the automobile trade and its parts.
- Electric vehicles have significant growth potential within the Argentine market, considering substantial resources to generate power, Lithium reserves and supportive government policies.
- The motorcycle market reached a production of 750,000 units in 2017, while it dropped to an estimated 250,000 registrations in 2020. Currently, the Government is promoting a financing program for the purchase of motorcycles with the aim of increasing production in 2021. Additionally, in 2020, the new investments and inauguration of manufacturing plants of Grupo Simpa (Royal Enfield) and Grupo Iraola (Bajaj) in the local market took place.

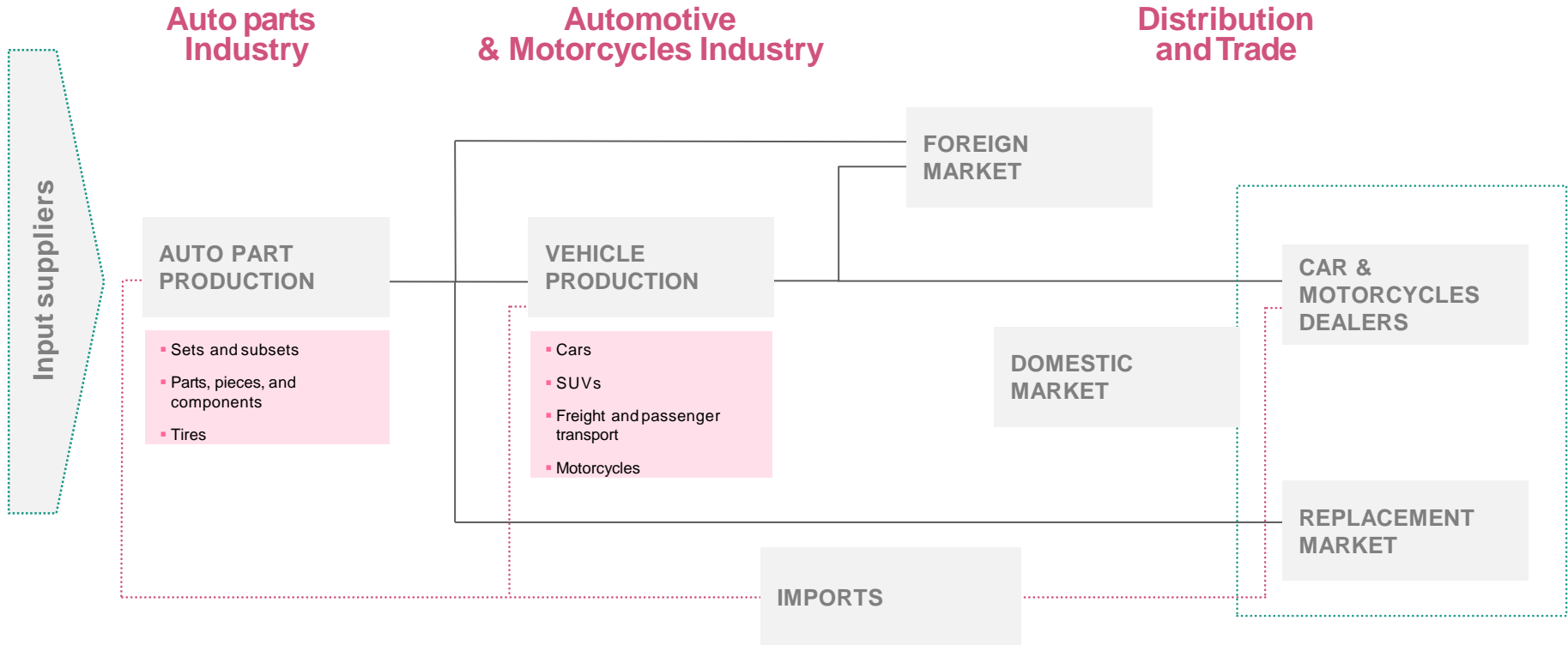


02/

Market Vision and Structure



// VALUE CHAIN STRUCTURE





// MARKET SIZE 2019

12 Car manufacturers

16 Motorcycle manufacturers

20+ National production automobiles models

23rd Automobiles producing country

24,874
employees in automotive companies

2,500
employees in motorcycle companies

50,000
employees in auto parts industry

Source: Compiled based on information provided by ADEFA, INDEC, ADEFA, AFAC, OICA, MercadoLibre, CAFAM, ACARA, SIOMAA.

2019

TOTAL VEHICLE FLEET
14,043,036 automobiles

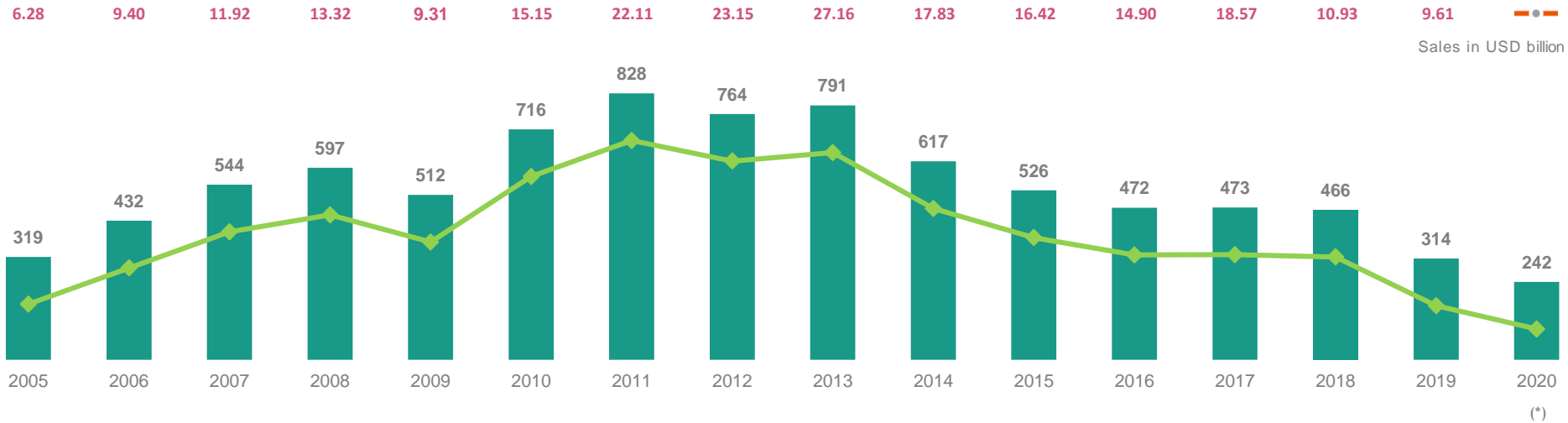
NATIONAL PRODUCTION
314,787 Automobiles
245,588 Motorcycles

NATIONAL SALES
459,592 Automobiles
326,275 Motorcycles



// TURNOVER. AUTOMOBILES

Total sales of national automobiles in the domestic and foreign markets

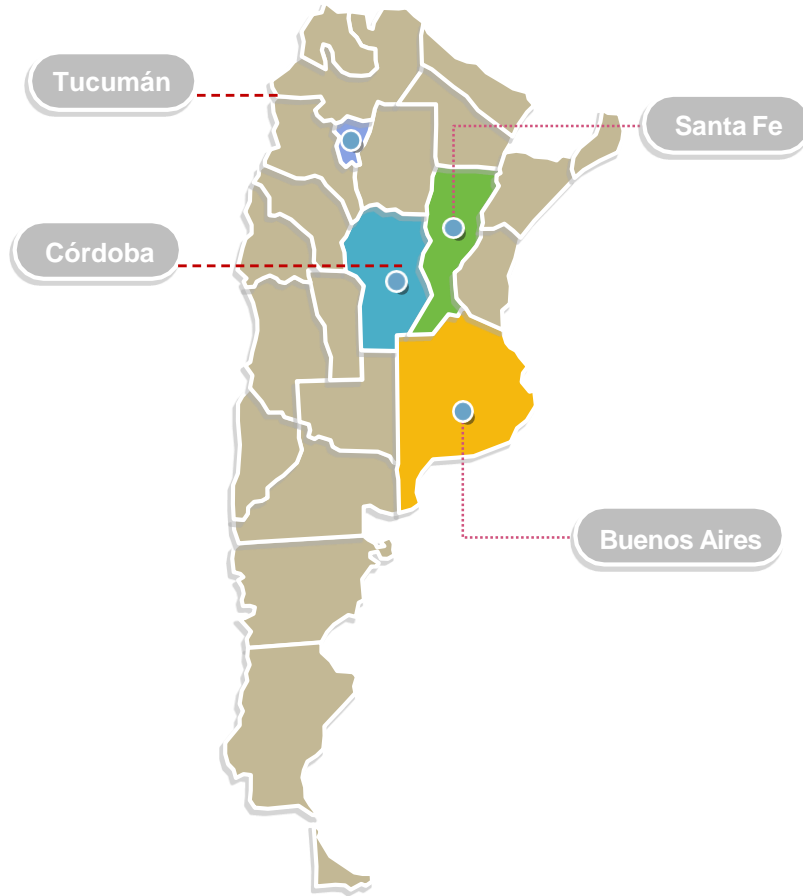


Source: Compiled based on information provided by ADEFA.

National Sales (In thousands of units)

(*): ADEFA. Estimated to October 2020

Production has decreased since 2013 reaching a total of 242,364 units in October 2020, as a result of the impact of COVID -19. Industry turnover followed the same trend, except for 2017, where dollar turnover increased mainly due to the fluctuation of the exchange rate.



GEOGRAPHICAL

“ Distribution of National Automobile Production ”

The production chain is located in 4 provinces:
Buenos Aires, Santa Fe, Córdoba and Tucumán

Buenos Aires, Santa Fe and Córdoba
produce vehicles and auto parts.
Tucumán only produces **auto parts.**



// AUTO PARTS SECTOR

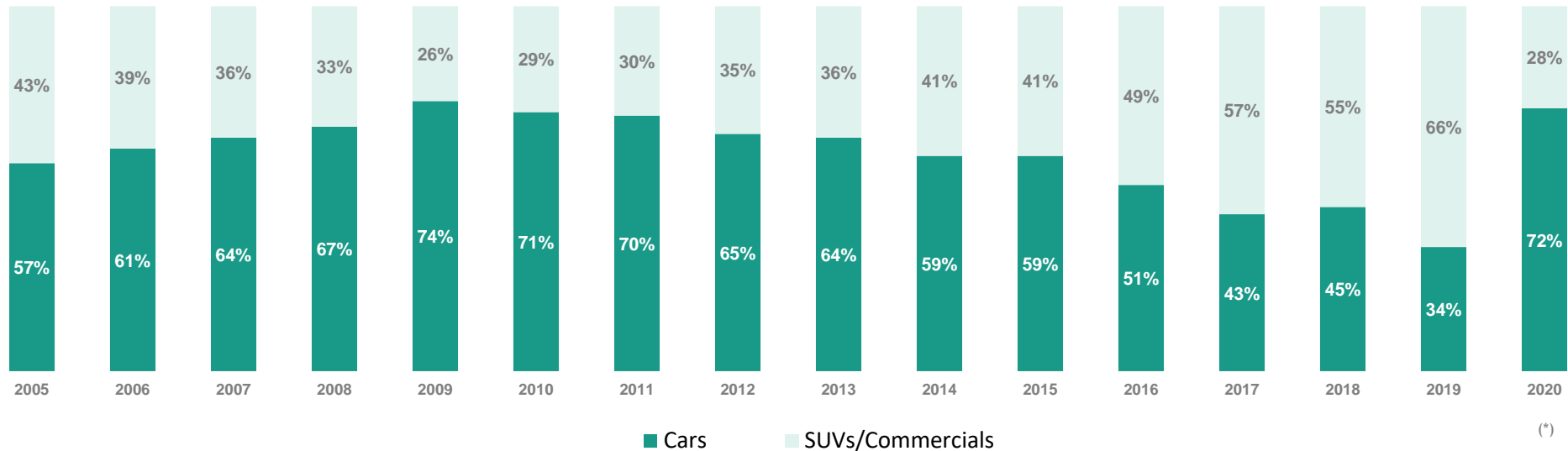
Top 5 auto parts manufactured in Argentina:

- Transmission systems
 - Engine parts
 - Engines
 - Wheels, tires and cameras
 - Vehicle bodies
-
- In the last 10 years, the auto parts deficit ranged between USD 4 to USD 8 billion, depending on the number of vehicles produced.

 - Exports of auto parts fell from USD 2.5 billion in 2010 to USD 1.5 billion in 2019.



// NATIONAL PRODUCTION BY SEGMENT



(*)

Source: Compiled based on information provided by ADEFA.

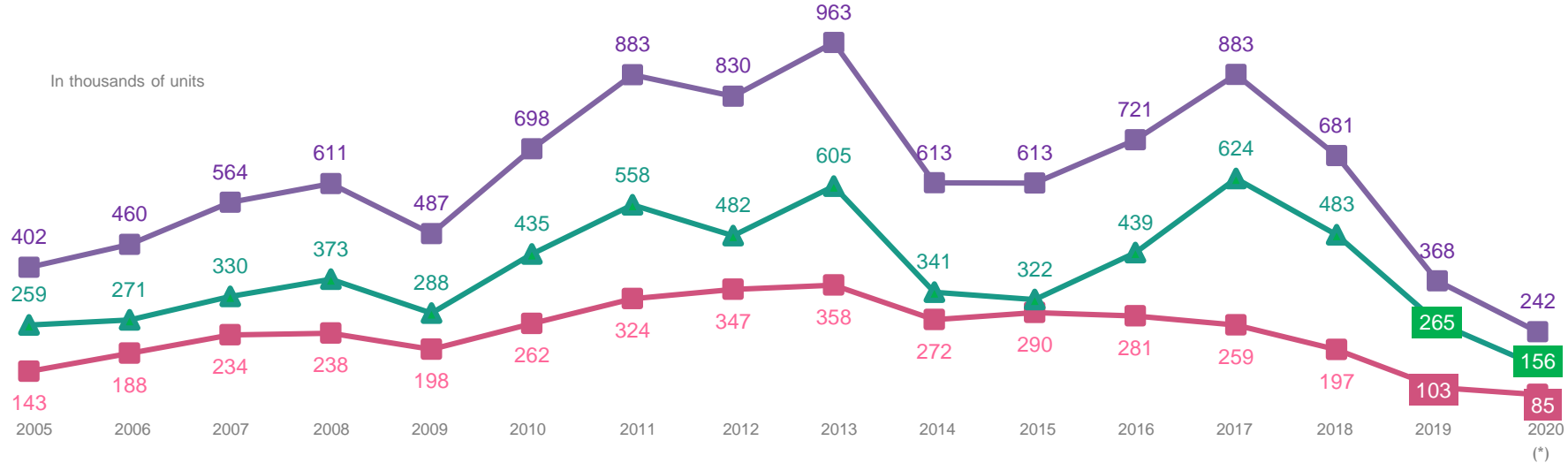
(*): ADEFA. Estimated to October 2020

The output of the Argentine automotive production has mainly been cars and, to a lesser extent, SUVs. This trend shifted in 2016 when the number of manufactured SUVs almost equated the number of automobiles.



// NATIONAL PRODUCTION VS TOTAL SALES

Domestic	36%	41%	41%	39%	41%	38%	37%	42%	37%	44%	47%	39%	29%	29%	28%	34%
Imported	64%	59%	59%	61%	59%	62%	63%	58%	63%	56%	53%	61%	71%	71%	72%	66%



Source: Compiled based on information provided by ADEFA.

● Domestic ● Imported ● Market

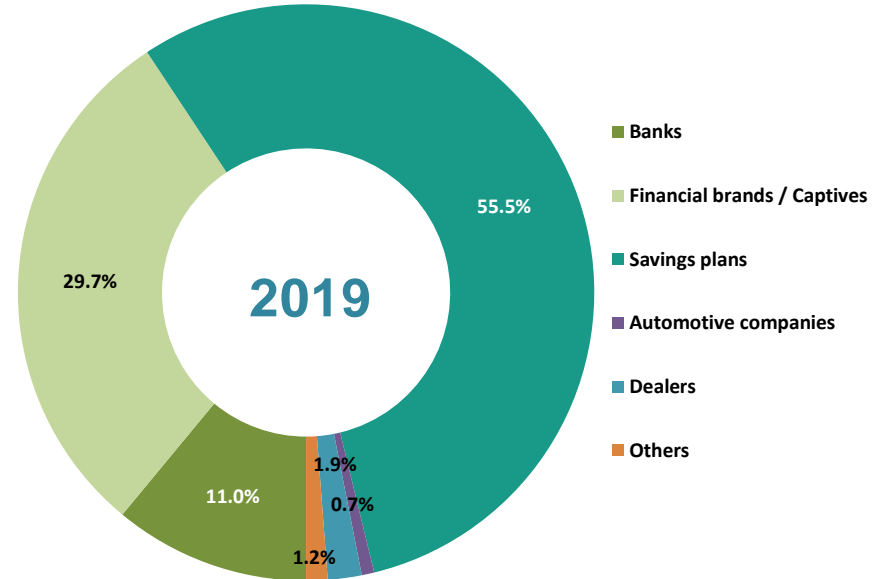
(*) ADEFA. Estimated to October 2020

Rising total sales in the domestic market, and decreasing domestic vehicle production since 2015, has led to the supply deficit, which is being covered by imports. From 2017 to 2020, there has been a contraction in the local market due to economic recession, which has been aggravated by the COVID-19 pandemic.



// CAR LOAN MARKET

Lienholder	2016	2017	2018	2019
Banks	16.9%	17.0%	13.9%	11.0%
Financial brands / Captives	27.1%	33.2%	29.3%	29.7%
Savings plans / Savings systems	52.8%	46.8%	53.6%	55.5%
Automotive companies	0.4%	0.5%	0.6%	0.7%
Dealers	1.3%	1.3%	1.2%	1.9%
Others	1.6%	1.2%	1.4%	1.2%

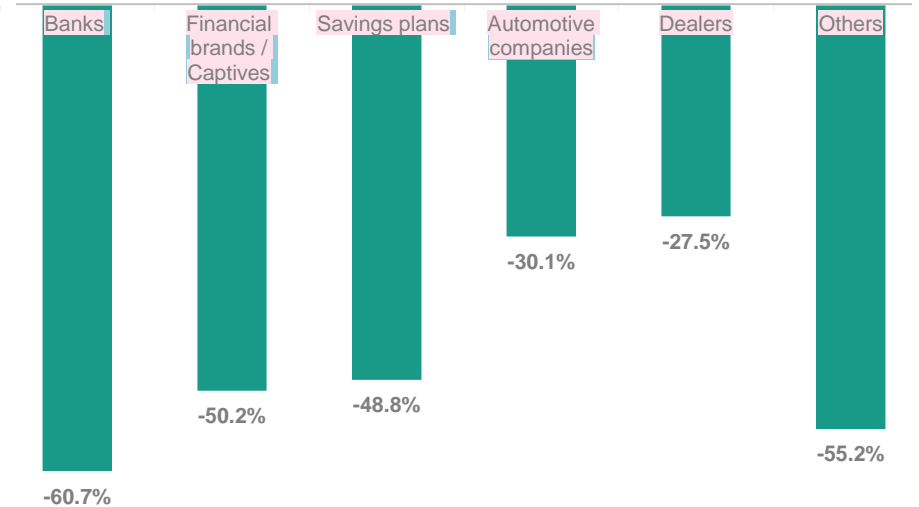




// CAR LOAN MARKET

Lienholder	2016	2017	2018	2019
Banks	56,787	74,277	53,344	20,956
Financial brands / Captives	91,153	144,507	111,950	55,734
Savings plans / Savings systems	177,990	204,004	204,352	104,533
Automotive companies	1,188	2,041	2,189	1,530
Dealers	4,260	5,596	4,892	3,545
Others	5,469	5,335	4,228	1,894

Evolution % 2019 vs 2018

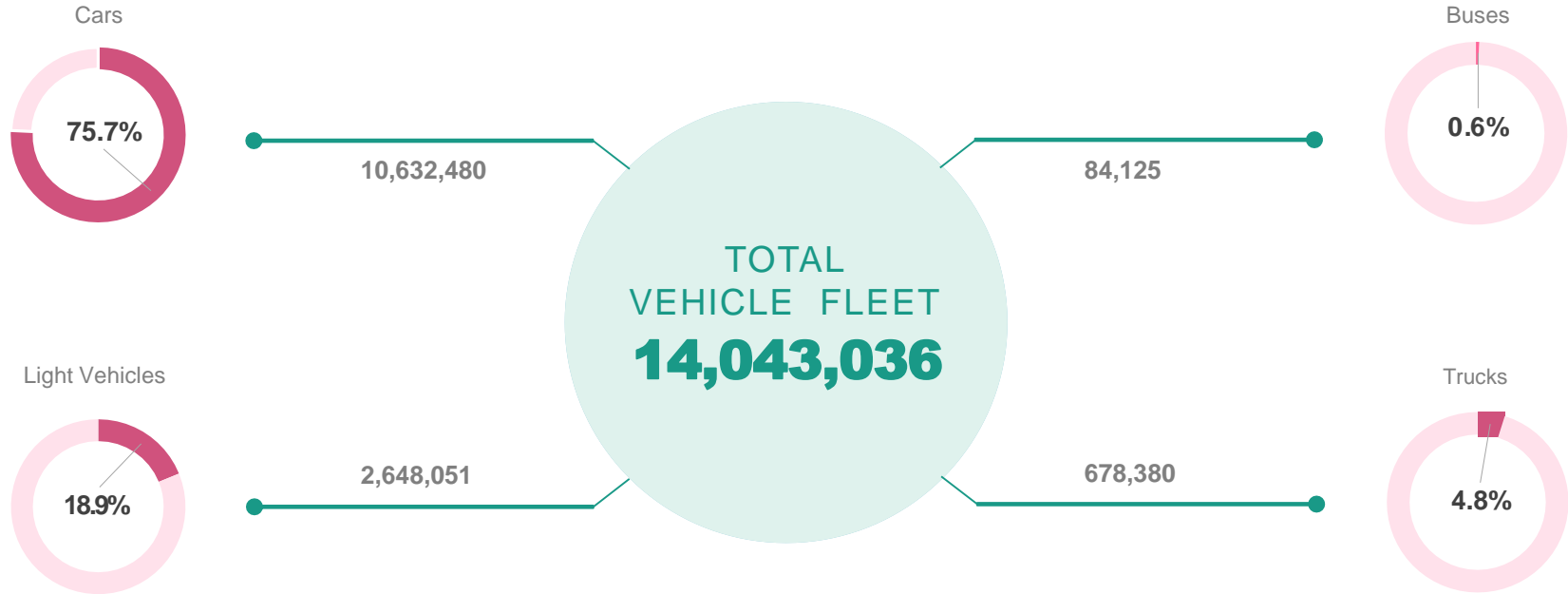


Source: Compiled based on information provided by Association of Automotive Manufacturers (ADEFSA). In units.

Automotive companies showed the most significant growth in the auto loan market in 2018 compared to the previous year. However, these companies have the lowest market share. In general, all creditors saw an increase in the number of auto loans.



// VEHICLE FLEET

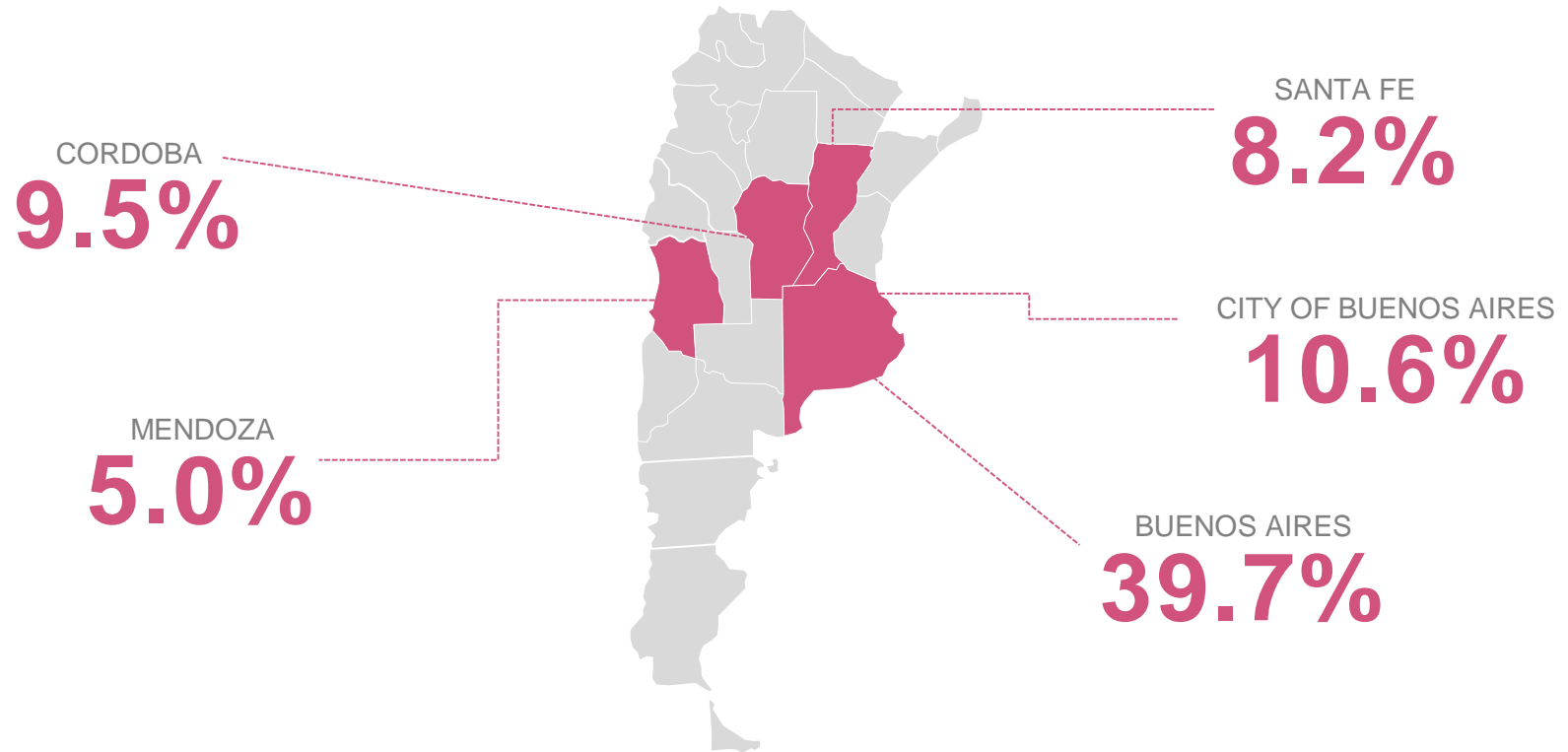


Source: Compiled based on information provided by ADEFA. 2019.

The Argentine vehicle fleet comprises around 14,043,036 vehicles in total, 75.7% of which are cars. Buenos Aires is the province with the largest number of vehicles.

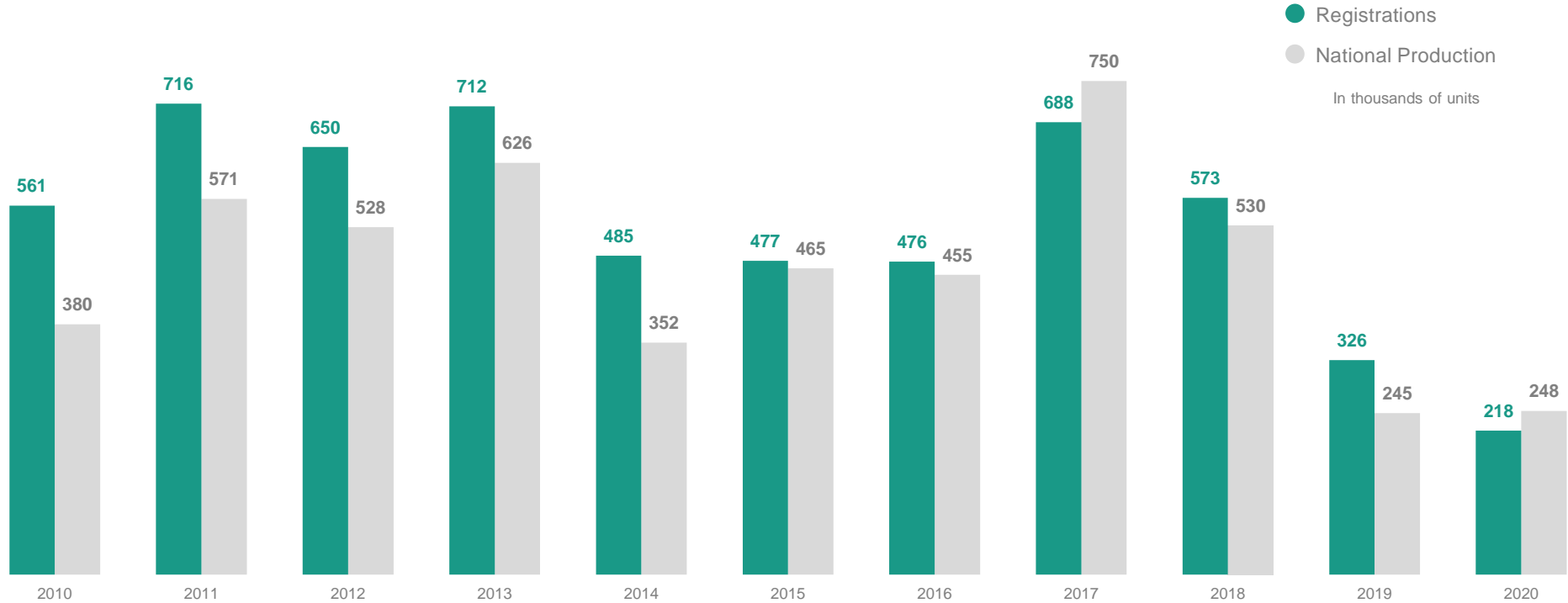


// GEOGRAPHICAL DISTRIBUTION OF THE VEHICLE FLEET

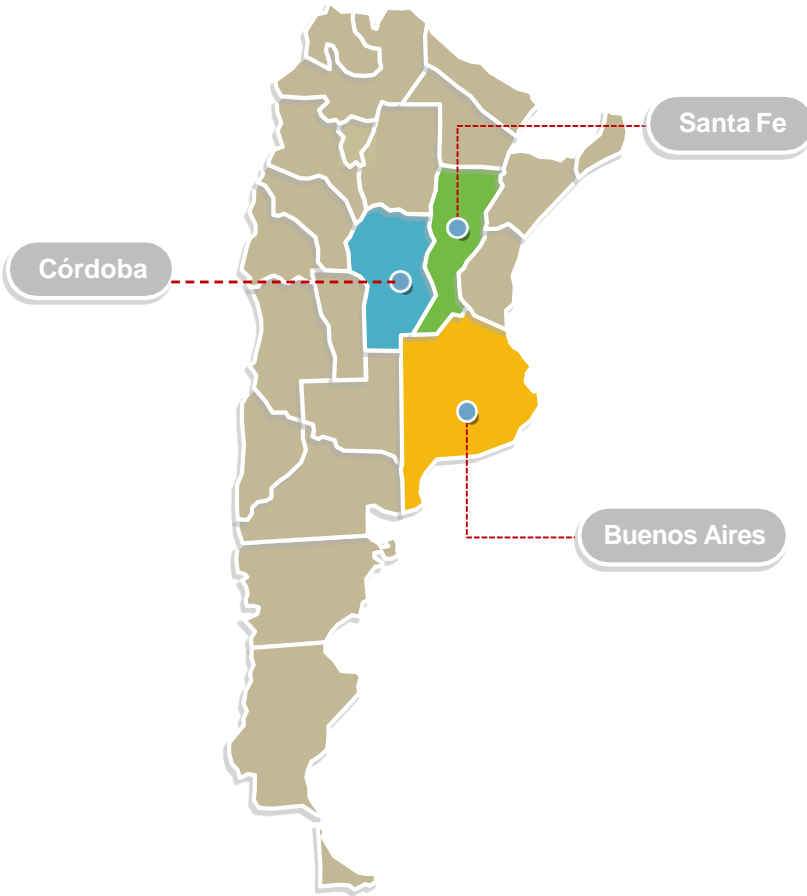




// TURNOVER. MOTORCYCLES



(*)



GEOGRAPHICAL

“ Distribution of National Motorcycle Production ”

Production is concentrated in the provinces of Buenos Aires (with Honda, Yamaha, Beta Motor, Gillera, Hero, Mar Maquinarias (Lifan and Zanella) and KTM), Santa Fe (Corven, Guerrero) and Córdoba (Kimco, Keller and Okinoi).

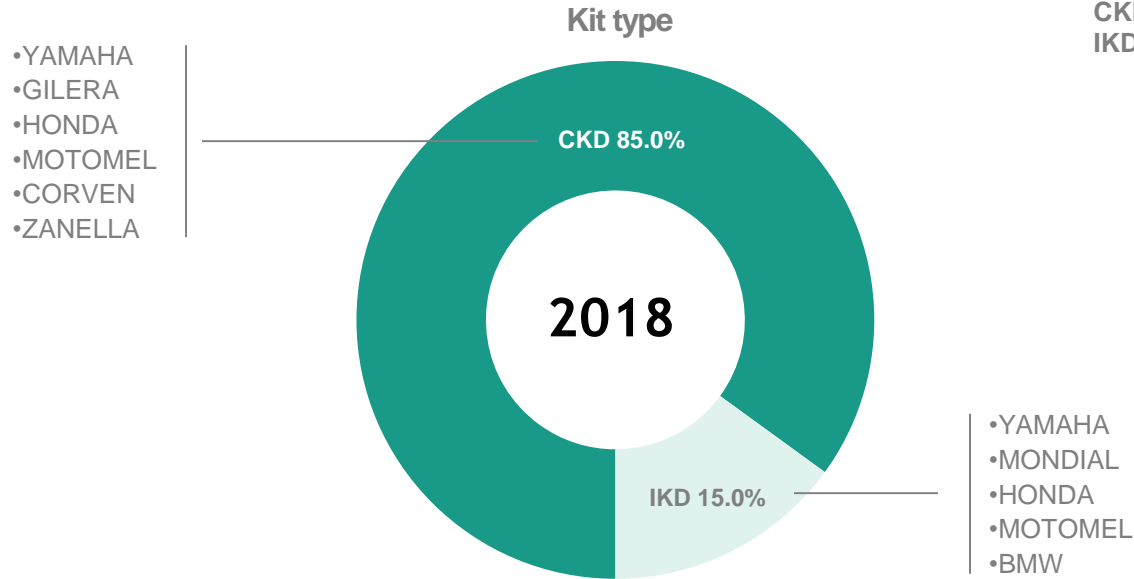


// MOTORCYCLE MARKET

- Motorcycle manufacturing in Argentina dated back to the 1950s.
- Argentina is the 2nd in Latin American countries in number of motorcycles per inhabitant: 24% of its population owns at least one motorcycle.
- Argentina has more than 16 motorcycle manufacturers, which account for more than 90% of the sector's sales.
- As of 2019, the motorcycle industry employs 2,500 direct and 13,200 indirect workers in the country.



// MARKET STRUCTURE

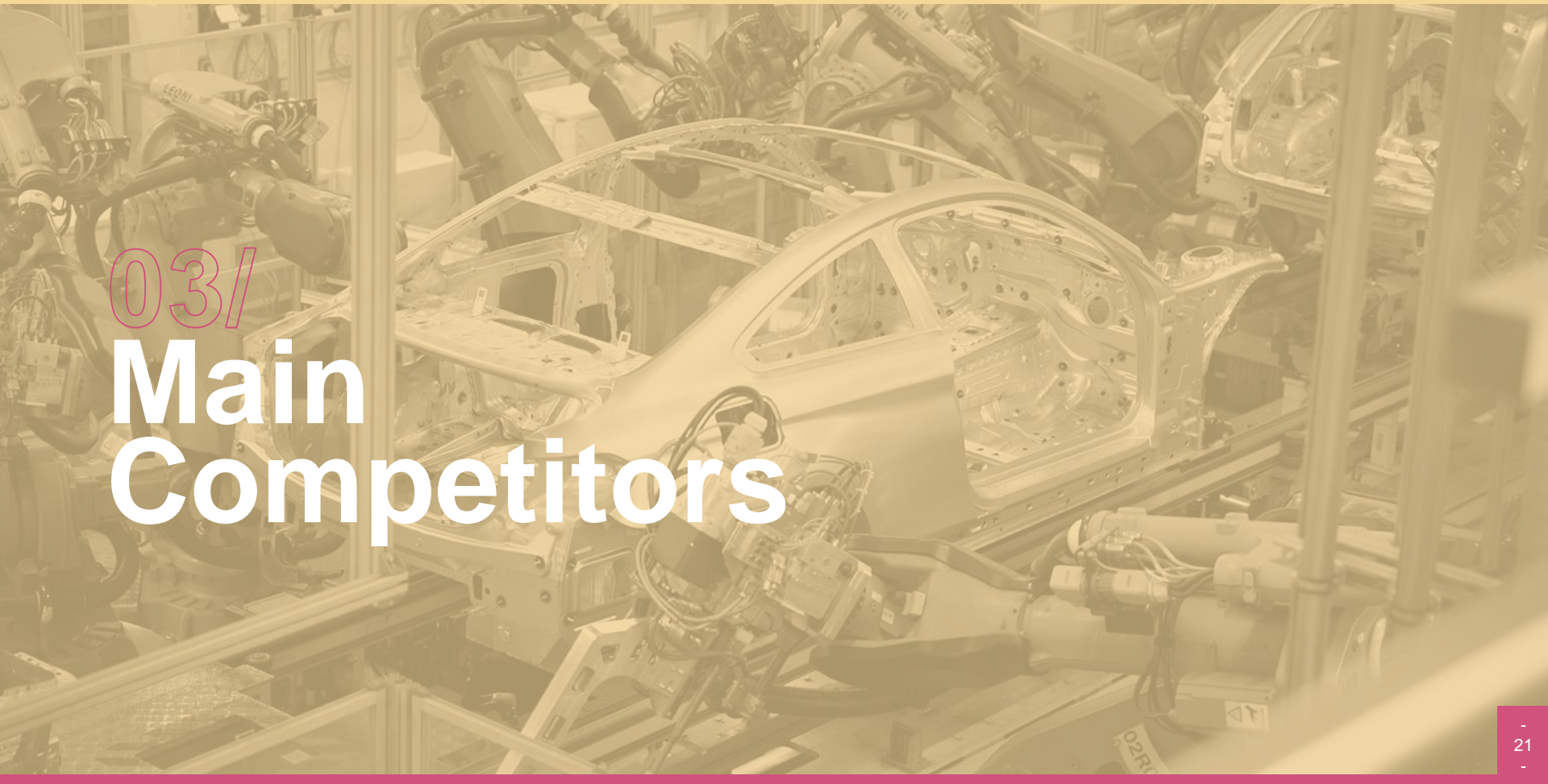


CKD: Completely Knock Down.
IKD: Kits involving local addition of parts.

EVOLUTION		
YEAR	CKD	IKD
2014	90%	10%
2015	90%	10%
2016	90%	10%
2017	88%	12%

Source: Presidency of the Nation. 2019.

90% of the patented motorcycles are of national manufacture, mainly from kits for assembly (CKD).
 IKDs went from representing 10% of motorcycle assembly kits in 2014 to 15% in 2018.



03/ Main Competitors

// MAIN COMPETITORS AUTOMOBILES

COMPANY

MARKET SHARE

COMPANY

MARKET SHARE



TOYOTA

Toyota Argentina S.A.

39.7%

FCA

FIAT CHRYSLER AUTOMOBILES

FCA Argentina S.A

10.1%



Volkswagen

Volkswagen Argentina S.A.

13.5%



General Motors Argentina S.R.L.

7.7%



Renault Argentina S.A.

6.6%



Ford Argentina S.C.A.

13.4%

PSA PEUGEOT CITROËN

PSA Peugeot-Citroën S.A.

2.7%













// MAIN COMPETITORS AUTO PARTS

RANKING	COMPANY
1	Mirgor
2	Scania
3	SKF
4	Gestamp
5	RobertBosch
6	FPT Industrial
7	Denso Manufacturing
8	Pabsa – Magna Seating
9	Faurecia
10	Lear

- **In 2019 the following companies ceased operations:** Deutz (heavy engines), Faurecia (sale to a local group of its plastic parts unit), Metalpar (bodywork), FCA (gearboxes), Industrias Viauro (metal parts), Brembo (machining) , Dino Mattioli (aftermarket ball joints and ends), Ranbat (Arcynur, batteries), Aethra (assembly, welding), 3M (chemicals), MWM International (engines and engine parts) and Zanella (motorcycles).
- **The following companies ceased operations in 2020:** Volkswagen and Ford (cancellation of the Cyclone project, to produce pick-ups in partnership), PPG (paint), Honda (motor vehicle plant), Axalta (paint), Saint-Gobain (glass) and BASF (paints for the automotive division).

// MAIN COMPETITORS MOTORCYCLES

COMPANY	MARKET SHARE	COMPANY	MARKET SHARE
 Honda	25.4%	 Keller	6.7%
 Coven	12.7%	 Guerrero	4.4%
 Motomel	12.5%	 Zanella	4.4%
 Gilera	9.6%	 Bajaj	3.7%
 Yamaha	7.0%	 Mondial	2.4%



04/

Public Policies and Trade Agreements



// PUBLIC POLICIES

Regulation in automobiles	Description
<p>Certificate of Approval of Safe Auto parts - Law 24.449 / INTI Regulation N ° 218/11</p>	<p>It authorizes the trade, import or transfer of any auto part or safety element in Argentina and it is mandatory for all vehicles that circulate on public roads. It must be requested by importers and manufacturers of auto parts and safety elements not produced as a standard during the manufacturing of the motor vehicle.</p>
<p>Productive Recovery Program (REPRO)</p>	<p>It grants a monthly fixed amount of money to workers from affiliated companies who are under financial distress. This sum is subject to tax and must be equal to a minimum salary. It is payable for a term of 12 months and seeks to compensate the workers' current salary according to their category.</p>
<p>In-Factory Customs Regime (RAF)</p>	<p>It allows automotive companies to import raw materials, inputs and fixed assets free of tariffs providing that they are applied to vehicles manufactured for the foreign market.</p>
<p>Agreement between the National Argentine Bank (B.N.A, Spanish acronym) and the Association of Automotive dealerships of the Argentine Republic (A.C.A.R.A., Spanish acronym)</p>	<p>Lines of personal credits to purchase national or imported automobiles, either new or second-hand cars (up to 5 years old).</p>
<p>Loans from the Bank of Investment and Foreign Trade (BICE, Spanish acronym)</p>	<p>Lines of credit granted to SMEs for investment projects, acquisition of fixed assets, and productive modernization or reconversion.</p>



// PUBLIC POLICIES

Regulation on motorcycles	Description
MODEL CONFIGURATION LICENSE (LCM)	Ensures compliance with safety regulations so that new vehicles can circulate in the public road.
MANUFACTURING CERTIFICATE OF NATIONAL MOTOR VEHICLES	Information that manufacturers must provide to the National Directorate of National Registries of the Automotive Property.



// TRADE AGREEMENTS

Partner	Description
Common Automotive Policy between Argentina and Brazil	It establishes that automobiles, chassis, bodies, trailers, semi-trailers and auto parts traded between the Parties are granted a 100% tariff preference. In addition, it provides for a common external tariff of 35% imposed on motor vehicles; the auto parts apply the common external tariff established by MERCOSUR.
MERCOSUR	It establishes a common external tariff that ranges from 14% to 20% for automobiles and from 14% to 18% for auto parts (with a few exceptions at 0-2%).
Colombia	Colombia establishes a 100% tariff preference for a period of four years (2017-2020) to trade automobiles, SUVs, passenger vehicles and chassis and sets a quota that will increase progressively until it reaches 42,000 units. It further grants tariff preferences for the trade of some auto parts.
Ecuador, Venezuela, Bolivia, Perú, Chile, Israel and Egypt	Tariff preferences imposed on auto parts.



05/
Industry
Trends



// RECENT TRENDS IN AUTOMOBILES

Appearance	Description
Investments	<ul style="list-style-type: none"> •Volkswagen Argentina announced that it will begin expanding the production level of the Amarok pickup at the General Pacheco Industrial Center, with a projected increase that could even exceed the current work rate by two. •Mercedes Benz Argentina, informed that it started the second production shift of the Sprinter at its Virrey del Pino plant, in addition to confirming that it will export the Sprinter Chasis version to the United States. •Ford Argentina announced the implementation of a second production shift for Ranger at its Pacheco plant. It also celebrated the production of the 900,000th Ranger pick-up at the same industrial center. Ford in December 2020 announced its plans to invest US\$ 500 million in Argentina to launch its new Ranger model. •The PSA Group launched the new Peugeot 208 in 2020. •Nissan Argentina announced an investment of USD 130 million in the Santa Isabel pickup production line. The brand informed that the amount will go to new technologies and to improve the equipment of the Nissan Frontier.
Commercial situation	Greater diversification of models translates into an increasingly competitive market that welcomes newactors.
Electric vehicles	Even though the number of electric vehicles trades in Argentina is very limited, there are public policies and company projects to steer demand towards this type of vehicles. In 2017, the government regulated the reduction and elimination of import tariffs on hybrid, Electric Vehicles and vehicles propelled by fuel cells.



// RECENT MOTORCYCLE TRENDS

Appearance	Description
Investments	<p>Grupo Simpa (representative in Argentina of Royal Enfield, of the Indian group Eicher Motors) announced in September that it will manufacture some of the Royal Enfield models in Argentina, investing AR\$ 700 million in a new industrial center located in the town of Campana, province of Buenos Aires.</p> <p>On December 2020, Argentine company Grupo Iraola announced it will begin to produce one Bajaj model of motorcycles in Argentina.</p>
Government incentive to the motorcycle sector	<p>On 8 September, President Alberto Fernández announced the "My Moto Circuit" plan, which consists of granting loans from Banco Nación of 48 installments with rates of 28.5% for clients of that entity and 37.5%, for non-customers, to encourage the purchase of 34 motorcycle models.</p>



// FUTURE PERSPECTIVES

1. Sales of cars and motorcycles in the domestic market have fallen in recent months due to the economic recession and COVID-19 pandemic. The recovery of the Brazilian economy is expected to translate into sustained and moderate growth in exports.
2. The main destination of Argentine exports will continue to be Latin America, especially Brazil, a strategic partner of Argentina.
3. In the next few years, hybrid and electric vehicles will gain more ground as Argentina is beginning to apply policies to encourage the production and trade of Electric vehicles. The country counts with inputs that are key to manufacture this type of vehicles such as lithium, which is used in batteries.
4. With new investments confirmed in 2020, the motorcycle sector expects a significant increase in production and sales in 2021. The motorcycle as a means of transport, is also expected to become more popular, especially in the major cities.



06/
International
Trade



// EXPORTS

Evolution of Argentina's automobiles and autoparts exports

(FOB value in USD billion)

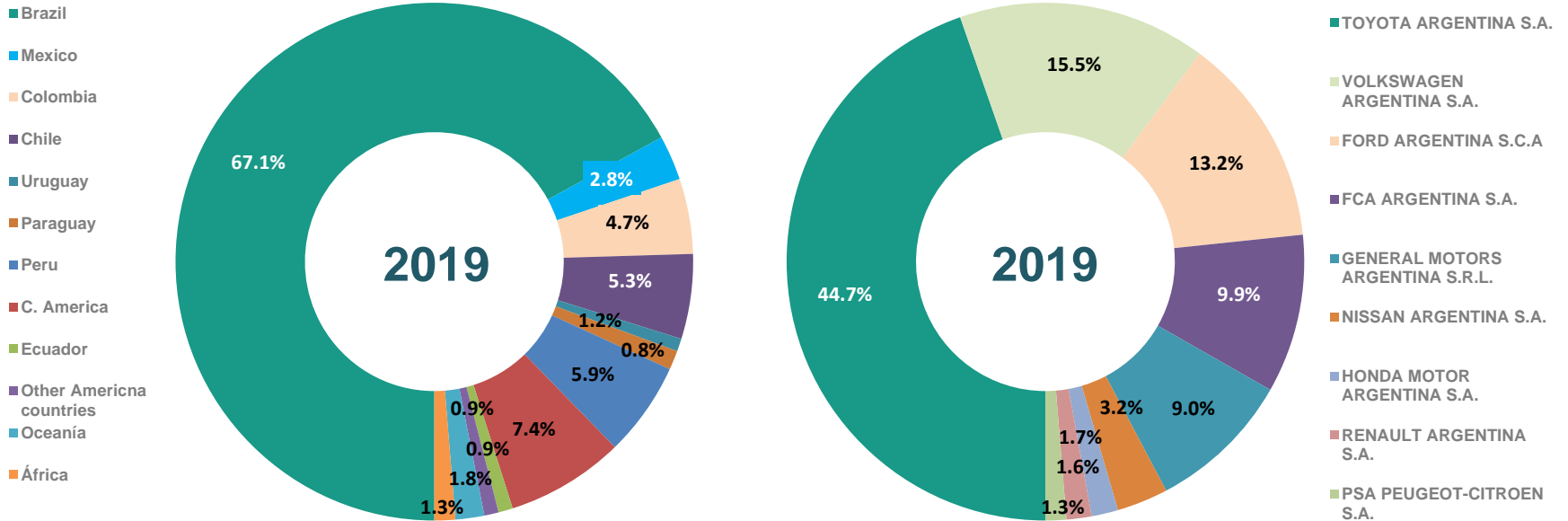




// IMPORTS

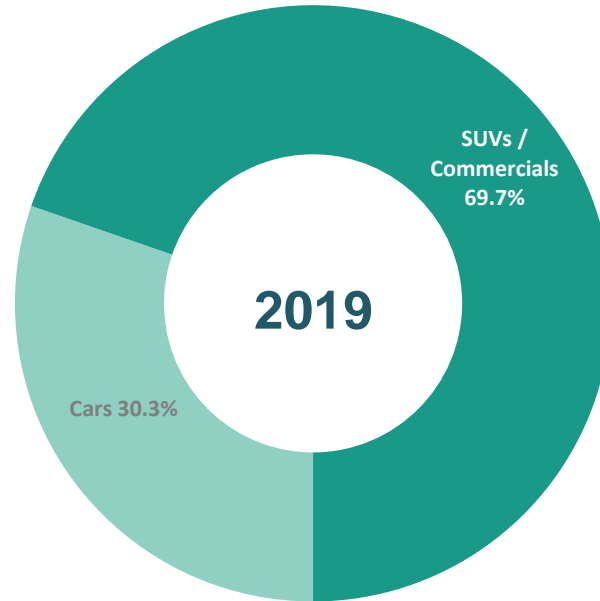
- In 2020, the auto parts trade deficit between January and September reached USD 2.67 billion, 26% less than the same period in 2019.
- In the first nine months of 2020, automobile imports were USD 3.41 billion and fell 29% compared to the same period of 2019. On the other hand, vehicle production decreased 31.3%.
- The main items in auto component imports were transmission systems, which accounted to USD 761.1 million (a 22.3% share of the total); engine components, with imports of USD 590.6 million (17.3%) and electric systems with imports of USD 482.8 million (14.2%). Bodies and their parts and engines with imports for USD 259.3 and 258.3 million (7.6% share each) ranked 4th and 5th.
- The main countries of origin of these imports are: a) Brazil, 28%; b) Thailand, 12.9%; and China, 11.4%. The United States and Germany participate with 8% and 7% of the imports respectively.
- The main auto parts export items were transmission systems amounting to USD 306 million (41.6%), engine components exports of USD 127.1 million (17.3%), engines, USD 78.5 million (10.7%) and wheels and tires with USD 55.8 million (7.6%).

// EXPORT DESTINATIONS AND EXPORTERS



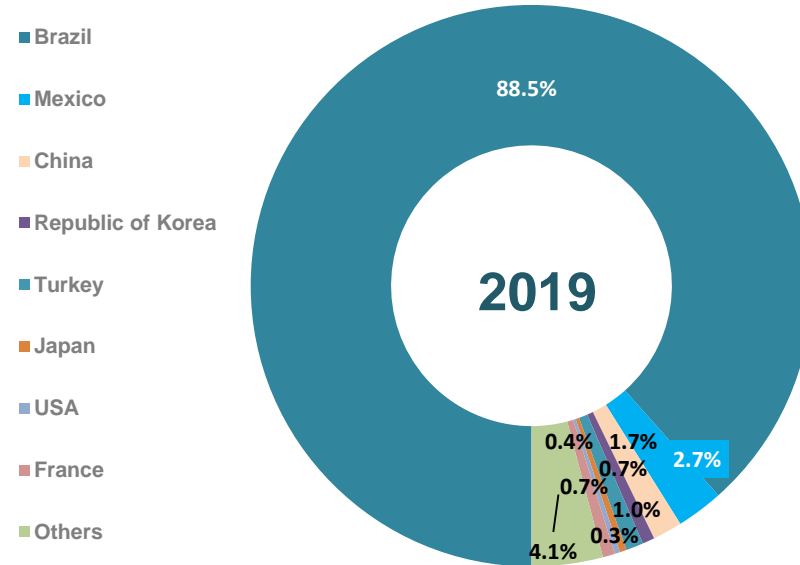


// AUTOMOBILES EXPORTS BY CATEGORY





// AUTOMOBILES IMPORT TRADING PARTNERS

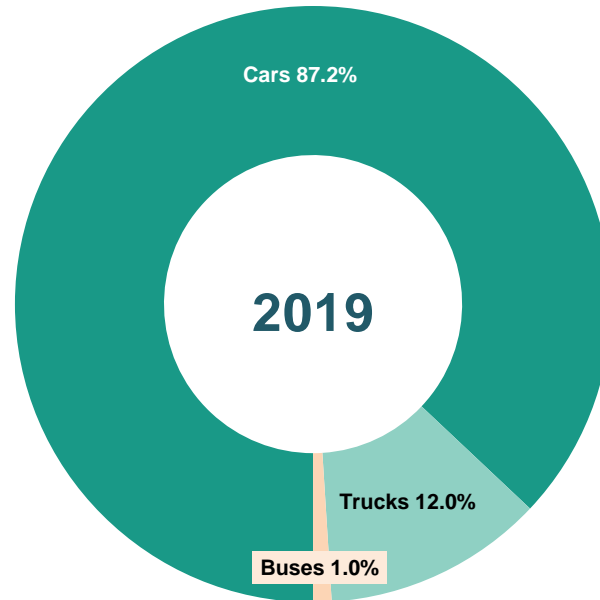


Source: Compiled based on information provided by ADEFA.

As opposed to exports, the vast majority of imports are cars. Of the total imports, 12% are trucks 1% , buses.



// AUTOMOBILES IMPORTS BY CATEGORY



Source: Compiled based on information provided by ADEFA.

As opposed to exports, the vast majority of imports are cars. Import of trucks only represent 12% and buses 1%.



// ARGENTINE MARKET SHARE

AUTOMOBILES

Argentine automobiles production represented

0.3%

of the total worldwide production in 2019.

AUTO PARTS

The Argentine auto parts market represents

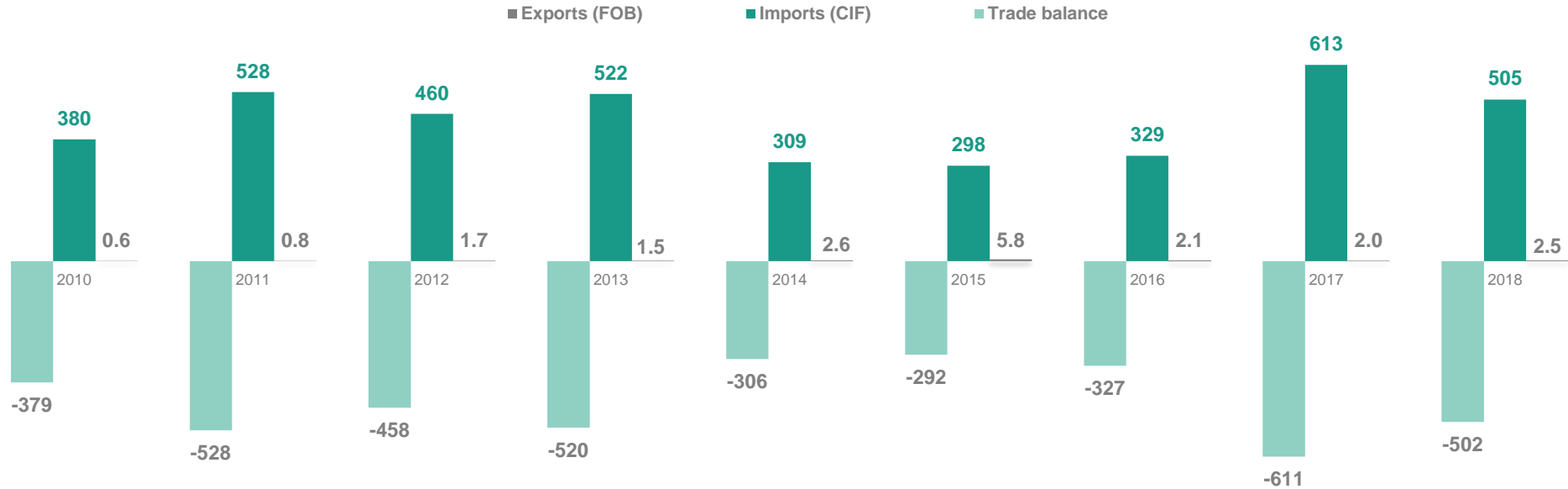
1.5%

of the global market.



// MOTORCYCLE EXPORTS AND IMPORTS

(in USD million)





// MOTORCYCLE EXPORTS AND IMPORTS

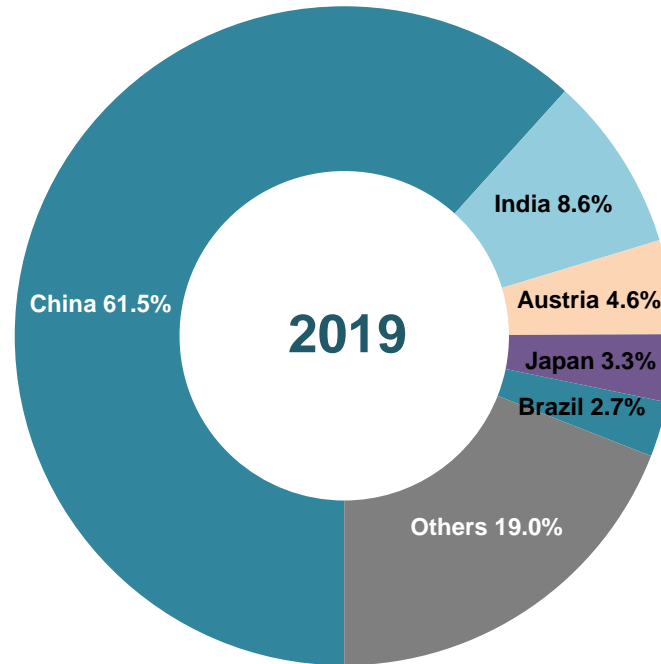
EXPORTS	AVERAGE 2015-2019
Units	900
USD million	3
% exports with respect to production (*)	3%

IMPORTS	AVERAGE 2015-2019
Units	500,000
USD million	400
% of total industrial imports (USD)	1%



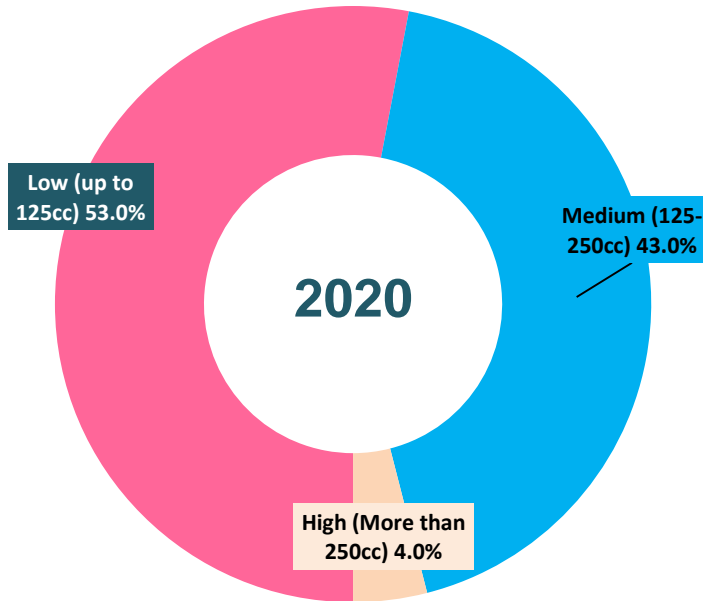
// MOTORCYCLE IMPORT BY ORIGIN

(% of imported value)

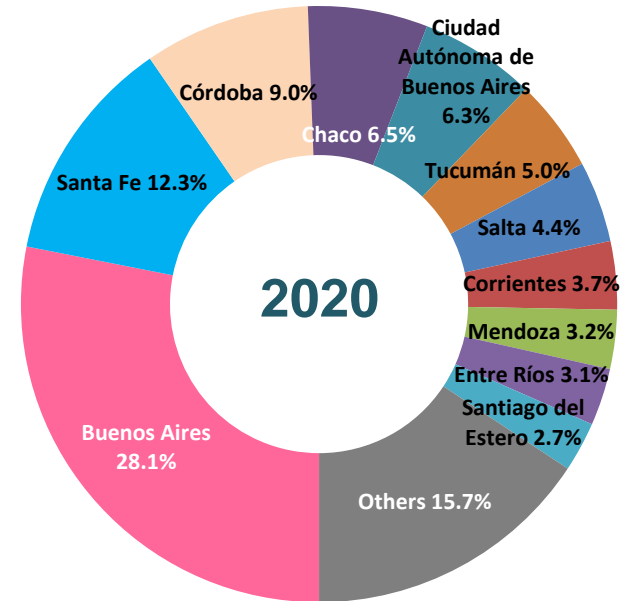


// MOTORCYCLE BY CATEGORY & PROVINCE

Registrations per cylinder capacity



Registrations by province





07/

Opportunities for Indian Companies



// OPPORTUNITIES FOR INDIAN COMPANIES

1. Manufacturing vehicles in Argentina grants access not only to the local market but also to the Brazilian market and the rest of MERCOSUR with preferential tariffs. Indian companies may profit from this situation and expand their presence in Latin America.
2. The market of electric vehicles in Argentina has a lot of growth potential. The national government is promoting the production of electric vehicles, and some companies like Volt Motors, Coradir etc have already announced investment plans to start producing them in the near term.
3. Selling or manufacturing auto parts in Argentina is a potential opportunity given the heavy reliance on imports.
4. Entering into joint ventures with local automotive companies is an opportunity for Indian manufacturers, as Royal Enfield has done with Grupo Simpa, Hero and Bajaj with Corven (Iraola Group) and TVS Motor Company with Beta Motor.
5. Argentina specializes in manufacturing pick-ups, a type of vehicle that is ideal for activities related to stockbreeding, agriculture, mining and oil production, i.e. the country's principal economic activities.



08/

Considerations for Foreign Investors



// INVESTMENT IN ARGENTINA

The **Argentine Investment and International Trade Agency** highlights the following aspects to invest in Argentina:

- 3rd largest GDP in Latin America (USD 450 billion).
- GDP per capita of USD 10,000.
- 45 million inhabitants (60% under 35 years of age) and access to 295 million people in MERCOSUR.
- 2nd largest unconventional gas field and 4th largest unconventional oil field in the world.
- 705,000 km² of high potential mining areas with more than 250 projects in their initial stage.
- 8th largest country in the world, with 53% of its land as arable land.
- Global leading exporter of soybeans, corn, lemon, lithium, among others.
- 6th producer of beef and 5th exporter worldwide, present in the world's most demanding markets such as the European Union, the United States, China and Israel.
- 1st country in Latin America in command of the English language.
- 110,000 college graduates of STEM careers a year.



// COUNTRY OVERVIEW

45,376,763
Total population

**ARGENTINE
PESO**
National currency

2020

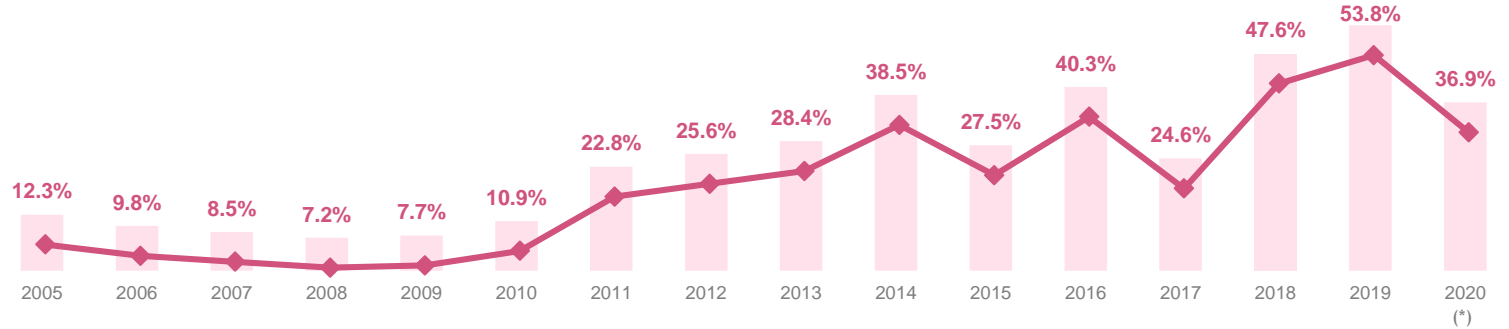
INFLATION
36.1%

**ESTIMATED GDP
GROWTH**
-11.7%



// CURRENT ECONOMIC CONTEXT

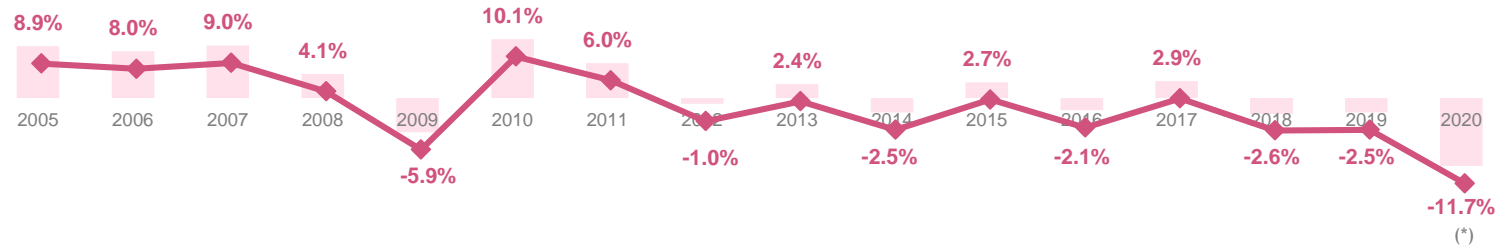
Inflation



13.1%

Unemployment rate (**)

GDP



Source: Compiled based on information provided by INDEC. (*): BCRA. Estimated to October 2020. (**): INDEC. 2nd Quarter of 2020.



// ARGENTINA'S MAIN TRADING PARTNERS

Appearance	Brazil	China	United States	Vietnam	Chile	India	Paraguay	Germany
Exports	4,715	4,016	2,267	2,124	1,914	1,664	529	501
Variation (%) vs 2019	-31.2%	8.8%	-18.6%	6.4%	-6.9%	12.0%	-19.7%	-22.7%
Imports	5,176	5,049	2,861	454	313	512	1,588	1,287
Variation (%) vs 2019	-27.8%	-19.5%	-36.5%	13.2%	-15.6%	-4.5%	14.4%	-31.7%
Balance	-462	-1,033	-594	1,670	1,601	1,152	-1,059	-786
Total (Exports + Imports)	9,891	9,065	5,128	2,578	2,227	2,176	2,117	1,788



// TAXATION

- In Argentina, tax collection efforts are carried out at national, provincial, and municipal level by levying taxes on income, assets, and consumption.
- The agency in charge of collecting taxes, monitoring, and controlling taxation at national level is AFIP (Spanish acronym for Argentine Revenue Service).
- Consequently, taxes are classified into three tiers:
 - National
 - Provincial
 - Municipal



// NATIONAL TAXES

INCOME TAX	All income is subject to tax. Local subsidiaries of foreign legal entities are regarded as resident businesses and are, therefore, subject to tax. The applicable tax rate is 35% and applies to total income. Non-resident businesses with no branches or permanent offices in Argentina are only subject to local income tax.
VALUE ADDED TAX (VAT)	VAT applies to the values of goods and services at every stage of production. General VAT rate is 21%; nevertheless, the rate for certain goods and services is set at 10.5% or 27%. Imports are subject to the same VAT rate as local goods and services. Exports are exempt from VAT.
MINIMUM PRESUMED INCOME TAX	Minimum Presumed Income Tax is payable by legal entities, which are imposed a 1% rate on the value of all their assets located either in Argentina or abroad. It is also applicable to assets located in Argentine and owned by foreign individuals or legal entities with a permanent establishment in the country.
PERSONAL PROPERTY TAX	This tax is imposed on individuals and undivided estates with respect to assets valued at over AR\$ 2,000,000. As of the year 2020, residents are taxed 0.25% on personal property.
EXCISE TAXES	Excise taxes are levied on the consumption of specific goods, such as tobacco, alcoholic drinks, and luxury items; they are payable by manufactures or importers.
FINANCIAL TRANSACTION TAXES - CREDITS AND DEBITS ON BANK ACCOUNTS AND OTHERS.	A 0.6% general tax is levied on withdrawals and credits on bank accounts transacted by entities governed by the Financial Institutions Act. Furthermore, transactions in cash are subject to a 1.2% rate if conducted through payment systems in lieu of current accounts.



// NATIONAL TAXES

DOUBLE TAXATION AVOIDANCE AGREEMENTS

Argentina has entered into double taxation agreements with the following countries to provide relief from double taxation on businesses, personal income, capital, and assets:

- Australia
- United Kingdom
- Chile
- Denmark
- Germany
- Belgium
- France
- Italy
- Sweden
- Canada
- Bolivia
- Brazil
- Finland
- Norway
- Spain
- Switzerland
- The Netherlands
- Russia
- Mexico



// PROVINCIAL TAXES

GROSS INCOME TAX

Gross Income tax is applicable to the revenue generated by businesses engaged in trade, industrial activities, agriculture, finance, or professional services. It is levied on each commercial transaction at a rate that ranges from 1.5% to 5%, according to the industry and area. Nevertheless, certain primary and industrial activities are exempted from this tax.

STAMP DUTY

This is a provincial tax placed on the execution of notarial and private documents, including agreements and other large-amount transactions.

REAL ESTATE TRANSFER TAX

Real estate owners are subject to an annual tax on their real property based on the fiscal value of the land free of any improvements and on the improvements of land, if any. The payable amount is estimated pursuant to the laws in force each fiscal year, which set forth the applicable values and rate scales according to the type of property.



// MUNICIPAL TAXES

Municipalities collect taxes imposed on industrial safety services, lighting and cleaning services, etc. These taxes are calculated based on public revenue or other criteria, such as the number of employees.



// TAX INCENTIVES

Tax regulations provide for incentives for certain activities such as mining, forestation, software development, renewable energies, research, biotechnology, and biofuel production.

Generally, such incentives consist of:

- **Tax stability for a specified period**
- **Tax credits**
- **Preferred tax rates**
- **VAT Exemption**

A tax-free area has been established in southern Tierra del Fuego where all the activities and transactions conducted are exempted from all national taxes, except for specific activities and transactions, which are levied a lower rate.



// LABOR LAW

Permanent employment contract

Employment contracts in Argentina generally fall within this category, which means the labor relationship may extend permanently unless a cause of termination arises. The law provides for a three-month probation period. The employer must register the relationship with the relevant authority before the lapse of this period. Moreover, the parties are subject to the rights and obligations arising out the employment contract during this period, but either party may terminate the employment without cause. In such case, the employee is not entitled to severance payment.

Special employment contracts

In order to provide an adequate framework, the law sets forth special forms of employment:

1. Fixed-term contracts
2. Seasonal employment contracts
3. Contingency employment agreement
4. Team employment contracts



// LABOR REGULATIONS

COMPENSATION (SALARIES AND WAGES)

Employees' compensation may be fully paid in cash or it may be paid both in cash and in kind, i.e. food or accommodation. In such case, payments in kind cannot exceed 20% of the total compensation amount.

The employer has the obligation to:

- Wire-transfer the employee's salaries to a bank account on their names.
- Provide a salary slip
- Comply with the statutory term of payment: salaried employees must be paid at the end of the month, whereas wage earners must receive their compensation on a weekly or monthly basis.

STATUTORY ANNUAL EXTRA PAY

All workers are entitled to a thirteenth salary, which is officially referred to as Statutory Annual Extra Payment. Such payment is made in two installments: 50% of the total amount is granted by June 31 and the remaining 50% by December 31.

MINIMUM SALARY AND WAGE

The law establishes the minimum salary and wage amount.

Considering the relatively high inflation rate in Argentina, the salaries may need to be revised multiple times a year.



// LABOR REGULATIONS

ANNUAL VACATION

Annual vacation is paid time off employers grant to their employees.

The length of vacations varies according to the employee's seniority:

1. From 6 months to 5 years of service: 14 calendar days
2. From 5 to 10 years of service: 21 calendar days
3. From 10 to 20 years of service: 28 calendar days
4. Over 20 years of service: 35 calendar days

New employees who have rendered services for less than half the business day of the year are entitled to one vacation day for every 20 days of service.

PAID MATERNITY LEAVE

The law provides for paid maternity leave which extends from 45 days before childbirth to 45 days after delivery.

Once this period elapses, women workers can choose to:

1. Resume working under the working conditions before the leave.
2. Terminate the employment contract unilaterally.
3. Request an unpaid extension of the maternity leave for an additional period ranging from three to six months.

Women workers are entitled to a daily thirty-minute break to breastfeed her child. This entitlement lasts for one year after childbirth.



// LABOR REGULATIONS

LABOR SAFETY

Employers have the obligation to provide insurance to employees to cover labor risks. To such end, they must either self-insure or hire a risk labor risk insurance company (in Spanish Aseguradoras de Riesgos del Trabajo or ART), in order to compensate in the event of work accidents and diseases.

SOCIAL SECURITY

Businesses undertake to make the relevant contributions in connection with social security services for their employees. Such contributions include family allowances, union health insurance, pensions, and contributions to unemployment funds. Contributions represent 27% of the gross salary of employees that render services and 23% of the gross salary of the rest of the employees.

COMPULSORY LIFE INSURANCE

The employer must obtain an insurance policy within thirty days of the commencement of the employment relationship.

MINIMUM WORKING AGE

The minimum working age is 16 years old.



// LABOR REGULATIONS

DISMISSAL

None of the parties can terminate the employment contract without giving prior notice.

The minimum notice period is set by the law as follows:

1. For the employee: 15 days
2. For the employer: 15 days for employees under probation period, one month when the worker's length of service is less than five years, and two months, when the length of service exceeds five years.

Due to the impact of COVID-19, the National Government, through Decree 891/2020 of March 31, later extended in May, July, September and November, dismissals without just cause and due to lack or reduction of work and force are prohibited until the end of January 2021.

EMPLOYMENT RELATIONSHIP RECORDS

The employer has the obligation to register the employment relationship with the relevant authorities. In the event of termination of contract, the employer must give relevant notice to the Social Security Registry.

The duly registration of the employment relationship allows workers to enjoy the social security benefits granted by the law.



// LABOR REGULATIONS

OVERTIME

In Argentina, working time is 48 hours per week with a limit of nine hours a day (six hours a day for work performed under hazardous conditions). Night working time is limited to seven-hour shifts. Overtime is permitted with certain restrictions. Overtime rate is 50 per cent, for work performed on weekdays and Saturday mornings, and 100 per cent for work performed thereafter and on public holidays. The law establishes the maximum overtime limit which shall not exceed 200 hours per year or 30 hours per month.

LABOR UNIONS

The workers may opt to join a unión. Most workers are unionized in Argentina. There are collective bargaining agreements to protect the workers, which shows the degree of influence these unions have.



// RELEVANT LEGISLATION

LEGAL FRAMEWORK	The Argentine Law provides for the protection of foreign investors and their projects. Argentina has entered into several bilateral investment treaties with other countries. It is a member country of the Multilateral Investment Guarantee Agency (MIGA), which provides guarantees to protect investments against non-commercial risks.
INVESTMENT MODEL	Foreign investors can start their businesses in three ways: setting up a foreign branch, acquiring ownership in an existing company or creating a new company.
CORPORATE AND BUSINESS ACT	Law No. 19,550 (amended and renamed as General Corporate and Business Law No. 26,994). Sets forth the different business forms available. The most popular business forms among foreign investors are Sociedades Anónimas (S.A.)— Corporations— and Sociedades de Responsabilidad Limitada (S.R.L.) — Limited Liability Companies or LLCs.
FOREIGN INVESTMENT LAW	Law No. 21,382 Sets forth the conditions for foreign investors to invest and transact business in the country. It further provides for the expansion of existing investment undertakings.

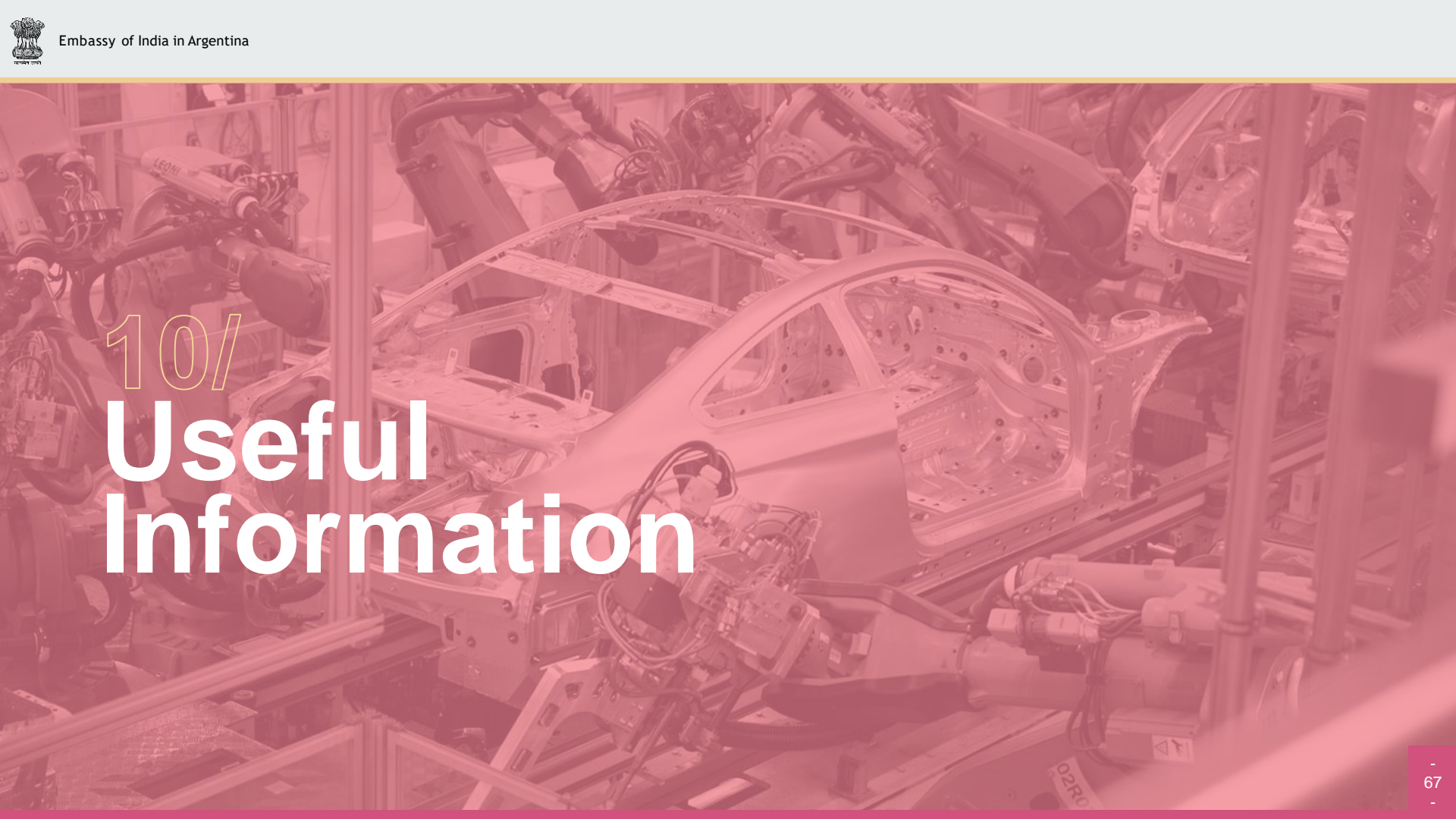


09/
Conclusion



// CONCLUSION

- As domestic production fell short and was unable to meet the demand of rising car sales between 2015 to 2017, leading to increase in imports.
- The COVID-19 pandemic has hit the auto parts sector, reducing the supply to existing companies.
- Both the auto parts industry and the automotive industry depend heavily on Brazil, the main destination for Argentine exports. The recovery of these industries is closely related to the economic recovery of Brazil.
- Electric vehicles have significant growth potential within the Argentine market, considering substantial resources to generate power, Lithium reserves and supportive government policies.
- The recovery of sales in the motorcycle market, encouraged by the National Government, is an opportunity for foreign investors.



10/
**Useful
Information**



// USEFUL INFORMATION

<p>ASSOCIATION OF AUTOMOTIVE MANUFACTURERS (ADEFA)</p>	<p>Address: Viamonte 1133 - 7th Floor - City of Buenos Aires Postal Code: C1053ABW Phone: (54-11) 4372-4002 - Web site: www.adefa.org.ar</p>
<p>ASSOCIATION OF ARGENTINE AUTO PARTS MANUFACTURERS (AFAC)</p>	<p>Address: Viamonte 1167 - 5th Floor - City of Buenos Aires Postal Code: C1053ABW Phone: (54-11) 4375-0516 - Web site: www.afac.org.ar</p>
<p>ASSOCIATION OF AUTOMOTIVE DEALERSHIPS IN ARGENTINA (ACARA)</p>	<p>Address: Lima 265 - 3rd Floor - City of Buenos Aires Postal Code: C1073ABW Phone: (54-11) 5236 6500 - Web site: www.acara.org.ar</p>
<p>CHAMBER OF AUTOMOTIVE TRADE (CCA)</p>	<p>Address: Soler 3909 - City of Buenos Aires Postal Code: C1180ABW Phone (54-11) 4824-7272 - Web site: www.cca.org.ar</p>
<p>CHAMBER OF MOTOR VEHICLE MANUFACTURERS (CAFAM)</p>	<p>Address: Jorge Peralta Martinez 2330 - Buenos Aires. Tronco del Talar. Parque Industrial TIGRE Postal Code: B1617 Phone (54-11) 011 15-4159-4696 - Web site: https://www.cafam.org.ar/index.php</p>



// USEFUL INFORMATION

NATIONAL INSTITUTE OF STATISTICS AND CENSUSES (INDEC)

Address: Av. Pres. Julio A. Roca 609 - City of Buenos Aires
Postal Code: C1067
Phone: (+54 11) 4349-9200 - Website: <https://www.indec.gob.ar/>

MINISTRY OF FOREIGN AFFAIRS, INTERNATIONAL TRADE AND WORKSHIP

Address: Esmeralda 1216 - City of Buenos Aires
Postal Code: C1007 ABR
Phone: (+54 11) 4819-7000 - Website: <https://www.cancilleria.gob.ar/>

MINISTRY OF PRODUCTIVE DEVELOPMENT OF THE NATION

Address: Av. Hipólito Yrigoyen 250 - City of Buenos Aires
Postal Code: C1086
Phone: (+54 11) 0800-333-7963 - Website:
<https://www.argentina.gob.ar/produccion>

CHAMBER OF AUTOMOTIVE TRADE (CCA)

Address: Av. Hipólito Yrigoyen 250 - City of Buenos Aires
Postal Code: C1085 AAB
Phone: (+54 11) 4349-5000 - Website:
<https://www.argentina.gob.ar/economia>



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