BORDER TAX ADJUSTMENTS

Information Supplied by Contracting Parties

Addendum

In response to the requests set out in L/3039 page 5, paragraphs 1 and 2, a further reply which is attached hereto has been received from the Government of Argentina, a non-member of the Organisation for Economic Co-operation and Development.
INFORMATION SUPPLIED BY THE ARGENTINE DELEGATION PARTICIPATING IN THE WORKING PARTY ON BORDER TAX ADJUSTMENTS IN RESPONSE TO THE QUESTIONNAIRE CONTAINED IN DOCUMENT SPEC(68)56

PART I: Structure of the Tax System

1. National revenue
   (in M$N million)

<table>
<thead>
<tr>
<th></th>
<th>1964</th>
<th>1965</th>
<th>1966</th>
<th>1967</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Indirect taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales taxes</td>
<td>31,156.3</td>
<td>49,703.1</td>
<td>105,064.0</td>
<td>114,145.2</td>
</tr>
<tr>
<td>Internal taxes</td>
<td>35,993.1</td>
<td>44,177.6</td>
<td>50,093.4</td>
<td>72,435.4</td>
</tr>
<tr>
<td>Customs duties</td>
<td>8,936.6</td>
<td>14,551.8</td>
<td>40,551.6</td>
<td>108,896.1</td>
</tr>
<tr>
<td>(b) Income taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal income</td>
<td>39,862.5</td>
<td>84,701.6</td>
<td>118,356.7</td>
<td>159,664.7</td>
</tr>
<tr>
<td>Company profits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c) Taxes on inheritances, gifts, etc.</td>
<td>5,063.5</td>
<td>7,991.6</td>
<td>14,939.7</td>
<td>16,662.6</td>
</tr>
<tr>
<td>(d) Other (any excess profits, stamp taxes, lottery and road taxes, taxes on shares, etc.)</td>
<td>57,637.1</td>
<td>101,302.4</td>
<td>133,549.4</td>
<td>252,255.2</td>
</tr>
<tr>
<td>TOTAL</td>
<td>178,649.1</td>
<td>302,428.1</td>
<td>462,554.8</td>
<td>724,059.2</td>
</tr>
</tbody>
</table>

2. Rates of taxes levied by the Government, in force at 1 March 1967

   (a) Indirect taxes

   Sales taxes: the general rate was 10 per cent, but with differential rates of from 3 to 20 per cent, according to the product.

   Internal taxes: various specific and ad valorem rates (see Part II),
(b) Income taxes

(i) Personal income tax

<table>
<thead>
<tr>
<th>Annual taxable net income</th>
<th>Amount payable</th>
<th>On the amount exceeding M$N ...</th>
</tr>
</thead>
<tbody>
<tr>
<td>From more than M$N ... to M$N ...</td>
<td>M$N</td>
<td>Plus ... %</td>
</tr>
<tr>
<td>50,000</td>
<td>50,000</td>
<td>-</td>
</tr>
<tr>
<td>75,000</td>
<td>75,000</td>
<td>4,000</td>
</tr>
<tr>
<td>100,000</td>
<td>100,000</td>
<td>6,500</td>
</tr>
<tr>
<td>125,000</td>
<td>125,000</td>
<td>9,500</td>
</tr>
<tr>
<td>150,000</td>
<td>150,000</td>
<td>13,000</td>
</tr>
<tr>
<td>200,000</td>
<td>200,000</td>
<td>17,000</td>
</tr>
<tr>
<td>250,000</td>
<td>250,000</td>
<td>20,000</td>
</tr>
<tr>
<td>300,000</td>
<td>300,000</td>
<td>26,000</td>
</tr>
<tr>
<td>350,000</td>
<td>350,000</td>
<td>36,000</td>
</tr>
<tr>
<td>400,000</td>
<td>400,000</td>
<td>47,000</td>
</tr>
<tr>
<td>450,000</td>
<td>450,000</td>
<td>51,000</td>
</tr>
<tr>
<td>500,000</td>
<td>500,000</td>
<td>71,000</td>
</tr>
<tr>
<td>550,000</td>
<td>550,000</td>
<td>97,000</td>
</tr>
<tr>
<td>600,000</td>
<td>600,000</td>
<td>167,000</td>
</tr>
<tr>
<td>650,000</td>
<td>650,000</td>
<td>242,000</td>
</tr>
<tr>
<td>700,000</td>
<td>700,000</td>
<td>402,000</td>
</tr>
<tr>
<td>750,000</td>
<td>750,000</td>
<td>572,000</td>
</tr>
<tr>
<td>800,000</td>
<td>800,000</td>
<td>952,000</td>
</tr>
<tr>
<td>850,000</td>
<td>850,000</td>
<td>1,372,000</td>
</tr>
<tr>
<td>900,000</td>
<td>900,000</td>
<td>1,832,000</td>
</tr>
<tr>
<td>950,000</td>
<td>950,000</td>
<td>-</td>
</tr>
<tr>
<td>1,000,000</td>
<td>1,000,000</td>
<td>1,832,000</td>
</tr>
</tbody>
</table>

(ii) Company profits tax

The taxable income of companies constituted in the country is charged at the rate of 33 per cent plus a tax at the rate of 8 per cent on profits distributed.

Companies constituted abroad are taxed at the rate of 38.36 per cent.

The tax is calculated on the basis of the net taxable income, i.e. on the gross income less the costs necessary for obtaining, maintaining and ensuring that income, as allowed by law.

The general deductions permitted by law include the following:

- Interest on debts and costs incurred in constituting debts.
- Taxes and charges on income-producing goods and also fines, other than those imposed for fraud.

- Insurance premiums covering risks to income-producing goods.

- Extraordinary losses resulting from accidental causes or unavoidable circumstances when not covered by insurance or compensation.

- Losses resulting from offences committed by the employees of the taxpayer against property of the undertaking.

- Costs incurred in connexion with the collection of income.

- Contributions and premiums with a view to retirement, provided they are paid into national, provincial or municipal funds.

- Costs of travel, subsistence and representation, within the limits of the amounts allowed by the tax authorities.

- Allowances for depreciation and wear and in respect of losses for withdrawal of out-of-date equipment.

- Remuneration or wages paid to members of management organizations outside the undertaking, and fees or remuneration paid for outside consultations of any kind.

- Maintenance costs for income-producing buildings, on the basis of documentary evidence, or if none is available, in an amount equivalent to 5 per cent of the income produced thereby.

- Inherent costs of business operations, including expenditure specifically provided for by law and also losses, provision for irrecoverable claims, organizational costs, etc. and in general all costs connected with production of income except where deduction is expressly forbidden.

(c) Property taxes

   (information to follow).

(d) Social security charges

   (information to follow).
PART II: Description of Indirect Taxes, and of the Manner in Which They are Charged on Exports and Imports of Goods and Services

A. Description of indirect taxes

(i) Sales tax

1-2. This is an indirect tax applicable to sales of goods, produce and products anywhere in the national territory and it is charged at only one stage of the marketing process. It also applies to imports for personal use or consumption and those intended to form an integral or constituent part of exempt goods.

The tax is payable as follows:

(a) by domestic producers or manufacturers, on sales of produce, products or goods produced, processed or manufactured by them;
(b) by importers, on goods imported for their own or someone else's account;
(c) by exporters, on goods leaving the country for their own or someone else's account.

3. Exemptions from the tax include the following:

(a) sales in the domestic market of certain specified products, mainly essential products and articles;
(b) sales by non-profit making public welfare organizations;
(c) sales of books, newspapers, periodicals and magazines;
(d) sales of shares, bonds, foreign exchange, stamps and lottery tickets;
(e) the provision of public services - gas, electricity and the like;
(f) sales by small producers and craftsmen, not exceeding M&N 1 million annually;
(g) sales of paper intended for the printing of books, newspapers, periodicals and magazines;
(h) construction of vessels and aircraft and equipment therefor, if intended for national defence, commercial transport or for the training of aviation personnel;
(i) sales of agricultural machinery.
4. The tax base is the net selling price. The amount of tax payable on sales in the domestic market is determined on the basis of total sales, with the following deductions inter alia:

(a) the amount of premiums, discounts and refunds granted to the purchaser in accordance with usual market practice;

(b) the amount of sales of goods exempted by law;

(c) the amount of purchases of goods subject to tax;

(d) the amount of domestic taxes paid;

(e) direct sales costs involved in retail transactions by manufacturers;

(f) the amount of credit outstanding for the financial year, corresponding to sales subject to tax.

The tax is due at the time of delivery of the goods or the equivalent thereof and is charged on the basis of a sworn statement. In the case of goods imported for personal use or consumption or those intended to form an integral part of exempted goods, the tax is due at the time of customs clearance.

5. The general rate of tax is 10 per cent, but the following differential rates are also in existence, according to the nature of the product and the extent to which it is essential: 20 per cent (see List A), 10 per cent (see List B) and 3 per cent (see Lists C and D).

6. Revenue from the sales tax for the period 1964 to 1967 was as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (M$N million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1964</td>
<td>31,156.3</td>
</tr>
<tr>
<td>1965</td>
<td>49,703.1</td>
</tr>
<tr>
<td>1966</td>
<td>105,064.0</td>
</tr>
<tr>
<td>1967</td>
<td>114,145.2</td>
</tr>
</tbody>
</table>

B. Treatment of exports

Exports of goods not subject to export duties are exempted from this tax. In addition the Executive is empowered to exempt certain goods from the tax in order to facilitate disposal. Under a system of refunds on manufactures, exporters are repaid 12 per cent of the f.o.b. value of exported products in respect of taxes paid in the domestic market.
C. Treatment of imports

Imports are subject to tax even when intended for personal use or consumption or when intended to form an integral or constituent part of exempt goods. The tax is due from the moment when the goods are cleared and is calculated on the invoice value plus the cost, if any, of transport, insurance, customs duties, port charges and costs or commission fees invoiced by the importer.

(ii) Internal taxes

1. An indirect tax is charged on certain specified consumer goods in the internal market and is payable by the manufacturer or importer. It becomes due upon the sale of the product concerned, i.e. when the goods leave the factory or the customs warehouse. Thus, the tax is charged at one single stage, except in the case of luxury goods which are an exception.

2. Taxable goods are classified by law in two categories:

   Category I: The tax is due when the goods leave the factory. The list of products and rates of the tax are as follows:

   Tobacco - cigarette: 66 per cent on the retail price to the consumer, including tax.

   Tobacco - cigars and cheroots, tobacco intended for consumption in the leaf, stripped tobacco, cut tobacco, tobacco strip, snuff, twist, tobacco in blocks, tobacco waste: the tax is charged at a rate fixed by the Executive, subject to a maximum of 30 per cent of the manufacturer’s or importer’s selling price.

   Ethyl alcohol: 0.20 peso per litre and for each percentage degree at a temperature of 15°C.

   Methyl alcohol: 0.20 peso per litre and per percentage degree at a temperature of 15°C.

   Alcohol in bottles: an additional charge of 1.25 pesos to 10.00 pesos according to capacity of bottle, with a maximum of 1 litre.

   Alcoholic beverages: compound wines, vermouths, cinchona-based beverages, etc. 8.00 pesos per bottle of more than 3/4 litre and not more than 1 litre capacity.

   Other alcoholic beverages: from 9.00 pesos to 55.00 pesos, according to strength and for each bottle of the above-mentioned capacity, the tax being increased by 200.00 pesos or 100.00 pesos when sold under the designation "Whisky" or "Cognac" respectively.

   Lubricating oils: 0.30 peso per litre on all such oils having the viscosity and other characteristics of oils intended for vehicles and motors in general.
Lubricating oils and aviation fuels: lubricating oils, 5 per cent of the basic wholesale price per kg., and 20 per cent of the basic price per litre of aviation fuel.

Wines:
- ordinary: 3.00 pesos per litre
- other: 15.00 pesos per litre
- Champagne: 45.00 pesos per litre

Cider: 5.00 pesos per litre
Mead: 0.40 pesos per litre
Sugar: 0.20 pesos per kg.

This category also includes insurance:
- on contracts entered into by companies established or constituted in the country, 8.25 per cent on the premiums except in the case of agricultural insurance, or life or personal accident insurance;
- personal insurance, except personal or group life insurance, personal accident insurance, agricultural insurance and insurance of goods and movable or immovable property and livestock situated in the Republic or consigned to it and covered by insurance companies established outside the country - 22 per cent on the general premiums.

Category II: The tax is due at the time of transfer of the goods.

Beer: 3.00 pesos per litre
Toilet articles: 20 per cent
Luxury articles: 5 per cent at each stage of marketing

Pneumatic tyres:
- Black-wall: M$N 45.90 per kg.
- White-wall: M$N 58.40 per kg.

National road fund:
- Black-wall: M$N 22.95 per kg.
- White-wall: M$N 28.20 per kg.

Complementary national road fund:
- Black-wall: M$N 356.00 per kg.
- White-wall: M$N 451.00 per kg.
Yarn of natural silk: 15 per cent

Yarn obtained from natural silk rags: 15 per cent

Yarn of other materials containing added natural silk yarn or yarn recovered from natural silk rags: 15 per cent

Yarn of natural silk or recovered from natural silk rags when, without being woven, it forms an integral part or accounts for the entirety of imported goods not specifically subject to the tax: 15 per cent.

Imported fabrics manufactured from natural silk yarn: 15 per cent

Imported goods manufactured wholly or in part from the fabrics referred to in the preceding paragraph: 15 per cent

Aerated beverages, not put up for sale, containing not less than 10 per cent of natural fruit juices or extracts: 20 per cent

Refreshing drinks, not put up for sale, containing not less than 10 per cent of natural fruit juices or extracts: 20 per cent

Syrups, extracts or concentrates other than of fruit, intended for the preparation of non-alcoholic beverages: 20 per cent.

3. Leaving aside export products, which are referred to under that heading, the law provides for the following exceptions:

Alcohol: the exceptions specifically defined by the Executive in exclusive cases where the utilization of the alcohol implies a chemical transformation that makes any profitable reclamation impossible, or cases where, for reasons of security and/or national defence, the alcohol is intended for the stabilization of explosive substances.

Insurance: agricultural and life insurance (personal or group).

Lubricating oils: oils of a viscosity of less than 200, measured by the Saybolt Universal apparatus at a temperature of 37.8°C, and oils intended for use in aircraft.

Wines, cider and mead: when intended for distillation.

Luxury articles: subject to conditions established by the Executive, objects which, because of their construction or technical characteristics constitute a scientific instrument; objects needed for religious services; wedding rings; medals or objects to show that the wearer is a public official or other medals granted by the public authorities, distinctions, emblems and attributes used by the armed forces and the police, official decorations, garments trimmed with fur and working clothes.
Pneumatic tyres: tyres suitable for use on tractors, scooters, bicycles, tricycles and toys and motorcycle tyres of a size not exceeding 57 x 660 mm. (2.25 x 26 in.).

Syrups: Products sold as medicinal or veterinary specialities or which are used in preparations of that kind, and mineral or aerated waters.

4. The tax base is the net selling price according to the invoice or equivalent document furnished by the persons required to pay the tax.

5. In the majority of cases, these are specific taxes, although some of them are ad valorem (see A (ii) 2).

6. During the period 1964-67, national revenue was as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>M&amp;N million</th>
</tr>
</thead>
<tbody>
<tr>
<td>1964</td>
<td>35,993.1</td>
</tr>
<tr>
<td>1965</td>
<td>44,177.6</td>
</tr>
<tr>
<td>1966</td>
<td>50,093.4</td>
</tr>
<tr>
<td>1967</td>
<td>72,435.4</td>
</tr>
</tbody>
</table>

B. Treatment of exports

Products falling within Category I of the law are exempt from tax when exported or so long as they remain in the inventory of the factory or customs warehouse.

The products falling within Category II are not taxed if exported or so long as they remain listed in the inventory, provided the export is carried out by the person responsible for paying the tax.

C. Treatment of imports

The law does not provide for any differentiation of treatment as between imported and domestic goods.
ANNEX

List "A" (20 per cent)

Electric or battery-operated shavers
Air conditioning equipment
Magnetic tapes and gramophone records, blank or recorded
Sound recorders
Cinematographic and photographic cameras and apparatus, slide
    projectors and cinematographic projectors
Photographic and cinematographic film, whether or not exposed
Lenses, telescopes, monocular or binocular and other similar apparatus,
    other than those which because of their characteristics are
    intended for educational or scientific use
Yachts, outboard motors and motor-boats, other than for collective passenger transport

List "B" (15 per cent)

Television sets, radios, radiograms, pick-ups and combined television-radiograms
Motor vehicles in general except lorries, buses, trailers and chassis therefor
Air circulators and extractors, ventilators, heaters, refrigerators and driers, whether electric or operated with gas or kerosene
Lawn-mowers and hedge clippers, electric or with a combustion engine
Dish washers, electric or gas
Clocks and watches of any kind, chronometers and chronographs, other than those subject to the domestic luxury tax

List "C" (3 per cent)

Olives in brine
Bran
White spirit
Denatured alcohol for use as fuel, and pure alcohol intended for
    denaturing for use as fuel
Laundry blue
Coffee
Coal
Preserved fish, crustaceans and molluscs
Vegetable spices or condiments
Dried fruit
Edible fats of animal origin
Fish meal
Soaps (other than those subject to domestic taxes)
Steel wool, steel turnings and steel wads
Firewood, coal, coal dust and peat
Crushed maize
Prepared fodder for animals
Natural honey
Aviation spirit
List "C" (3 per cent) (cont'd)

Washing powders, soap-based  
Soda-water in syphons or bottles  
Solvents and fuels for aviation turbine engines  
Prepared tea  
Ground yerba maté

List "D" (3 per cent)

Repairs carried out in workshops or factories on machinery in general, engines, equipment, electrical apparatus, motor vehicles, furniture, jewellery and clocks or watches in general.