

Tax Incentives Software Development in Argentina

Federal Incentives for the Software Industry.

At the federal level, in 2004 two pieces of legislation aimed at promoting the Software Industry were enacted in Argentina.

These laws were aimed at promoting the activities of creation, design, development, production and implementation of software systems and their technical documentation, including the developed software to be incorporated into various processors. Software development for personal use is excluded from this system.

These laws cover individuals and legal entities incorporated in Argentina whose principal activity is to develop software. The incentives granted at the federal level are the following:

- Fiscal stability – for all federal taxes – for a period of ten (10) years as from the date of enactment of these laws (2004);
- Fiscal credit for federal taxes (except Income Tax) of up to seventy percent (70%) of social security contributions due by the relevant individual or company;
- Tax exemption of sixty percent (60%) of Income Tax applicable to each relevant fiscal year;
- The software production activity will be considered as a productive activity of transformation, like any industrial activity, in order to receive any benefits that

the Argentine Government provides for industrial activities.

- In addition, the incentive regime provides that those individuals or companies subject to this regime will be excluded from any present or future restriction for the repatriation of funds relating to the payment of importation of hardware and other components of computer use necessary for the software production activity.

Municipal Incentives for the Software Industry.

On the local level, in 2008 the City of Buenos Aires enacted Law No. 2,972 for the Promotion of Information Technology and Communications Companies (ITC).

This local law creates the “Technological District” of Buenos Aires, a designated area in the south of the city of Buenos Aires that provides certain incentives for IT companies.

The main purpose is to achieve the best possible combination of resources and capacities to develop the production and business processes, research and development to generate innovative products and services, and collaboration to certify world-class quality.

Individuals and companies doing business in the Technological District are entitled – for a ten-year period – to the following tax benefits:

- Total exemption from Gross Income Tax for income originated in IT activities;
- Exemption of Stamp Tax applicable to public deeds or any other document for the transfer of property in the Technological District, provided that the purchaser is registered as an IT company. Such exemption shall be
- Total if the relevant instrument is executed within the first three years as from the date the law is enacted,
- Seventy-five percent (75%) of the applicable Stamp tax if the relevant instrument is executed between the third and seventh year as from the date the law is enacted, and
- Fifty percent (50%) of the applicable Stamp tax if the relevant instrument is executed between the seventh and tenth year as from the date the law is enacted;
- Exemption from payment of contributions to Street Lighting, Sweeping and Cleaning for properties in the Technological District which receive improvements mainly for development of the technology industry. This profit will also benefit the properties owned or rented by the employees of companies registered in this scheme.
- Finally, it is noteworthy that this local law is also under the scope of the federal software development law No. 25,922.

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