



TAX BURDEN ON PRODUCTIVE
ACTIVITY
Situation in the Greater
Buenos Aires first ring

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Executive Summary

The Argentine Congressional Budget Office (OPC) is carrying out a study on the tax map of the Argentine Republic. The main purpose is to compile data on the tax burdens imposed by the three levels of government of the Argentina's governmental system and which are levied on the different economic activities. This work is part of the contributions that the OPC tries to provide for the debate on tax reforms in our country. This work is part of the Action "Survey of the tax burden by level of government in Argentina" of the Cooperation Agreement between the OPC and the EUROsociAL+ agency of the European Commission.

Within this framework, in this new stage, the study intended to evaluate the dispersion of the impact of the "consolidated tax burden" of 5 selected economic sectors in the 10 districts comprising the first ring of the Greater Buenos Aires Area. The results obtained show certain similarities to those already found in the previous analysis: high dispersion, under the assumptions used, which, on average for the sectors and areas analyzed, is 12.3% of the annual turnover, varying between 8.6% and 16.7%.

For the purposes of this report, fiscal burden was defined as those taxes (taxes, fees, and contributions) that are levied on an activity at a given province and municipality, and that affect the cost of its development. For this purpose, several estimates and assumptions were made based on data obtained from government agencies, as well as chambers and companies of each selected sector, preserving the methodology used in previous studies.

The tax impact is substantially higher than average in the hotel industry, with significant differences depending on whether it is an SME or a large company. At the other extreme is the meat processing activity. This same result was obtained in the analysis of 30 different districts carried out previously.

Finally, we would like to acknowledge the valuable contributions and technical inputs provided by the Institute of Fiscal Studies of Spain as part of the cooperation with EUROsociAL+.

Methodology and Scope of Field Work

The analysis of the tax burden within the Greater Buenos Aires Area (AMBA) was preceded by the work carried out by the Argentine Congressional Budget Office, entitled "*Carga Tributaria sobre la actividad productiva*" (Tax Burden on Productive Activity), published in December 2020¹.

In that paper, several clarifications were made on the scope and limitations of the study which, for the purpose of continuing a homogeneous methodological order, need to be repeated and commented on. Likewise, as part of the cooperation action with EUROSociAL+, the Institute of Fiscal Studies of Spain has made a series of contributions, which are included in these guidelines and will be included in all other reports of this Activity.

Selected Base Period

One of the main characteristics that a tax system must have for its proper functioning is the stability of the rules that give rise to the taxing powers of governments. This characteristic, in a federal system as in our country, becomes vital, since the three levels of government have the power to impose taxes, within the limits established by the National Constitution, the Provincial Constitutions and the Constitution of the Autonomous City of Buenos Aires, and the existing Convention Laws. The lack of regulatory stability may make the development of economic activities extremely difficult.

However, after observing the changes that have taken place in recent years in tax matters in our country, it can be concluded that the requirement of regulatory stability has not been met and therefore, there have been a significant number of modifications that alter the tax burden in general, depending on the base period selected.

Thus, it was considered appropriate in the first stage of this series of documents that the base period should be 2019, since it was the year in which a set of regulatory changes resulting from the Tax Reform and the Fiscal Consensus 2017 began to be implemented, being also the year in which the implemented changes began to be reversed by the confluence of various political, economic and social factors, which were then combined by needs arising from the Covid-19 pandemic.

Methodological clarification

It is important to distinguish several concepts that are sometimes analyzed together or considered equivalent, but which are not and lead to biased analysis.

Consolidated tax burden refers to total government revenues (including resources at the national, provincial, and municipal levels) from effective tax contributions, measured in relation to a country's Gross Domestic Product (GDP) over a specific period. It is a simple indicator to calculate, which allows a preliminary evaluation of the variable of interest for the aggregate of the economy. This indicator does not, however, allow us to analyze on whom and on which sectors the burden of these taxes falls.

The disaggregation of these government resources is composed of a significant number of taxes, fees and contributions with different income patterns depending on the type of tax, type of taxpayer (defined by its sector, size, recording method) and tax authority.

For the purposes of this paper, the concept of tax burden is used. Tax burden of a sector or activity is understood as the specific application of the set of tax regulations (in a broad sense) evaluated against realistic economic indicators of the activities in question. This allows a detailed calculation

¹ <https://www.opc.gob.ar/politica-tributaria/carga-tributaria-sobre-la-actividad-productiva-principales-resultados-2/>

of the legal tax burden affecting the activities under study². Following previous methodological developments for measuring tax burden (Djankov et al. (2010)), taxes that do not legally apply to the company, such as VAT or internal taxes, are not covered by this paper. This definition of tax burden assumes that indirect taxes affecting consumption are borne entirely by the final consumers of the product and not by the producing companies.

In addition, for the purposes of this paper, the possible cost caused by the substitute payment of the shareholding of individuals subject to Wealth Tax was not considered. Although it is borne by the individual taxpayer, with respect to the part of the assets related to shareholdings or participations in the capital of companies, the law requires the company to act as a substitute liable party and specifies that the company holds the right to be reimbursed the amount paid on behalf of the taxpayer.

Something similar happens with the mandatory payment by the directors of companies to the Self-Employed Workers Regime established in Law 24,241. The obligation to pay this tax lies with the director, but in practice the company may be the one to pay for the director. Afterwards, at the time of payment of the director's approved remuneration or, when he or she is both director and owner, at the time of distribution of profits, those payments are compensated.

The estimated tax burden will be contrasted with pre-tax profits, to generate a comparable indicator across sectors, districts, and company sizes. This burden, at the level of specific taxpayers (defined by their sector, size, recording method) may show high heterogeneity and have a low correlation with the aggregate tax burden.

In a preliminary analysis, it can be observed that the taxes affecting the selected activities can be summarized as shown in Table 1.

For the purposes of this paper, Value Added Tax will not be included in the measurement of tax burden, since the cost of this tax is borne by the consumer, as well as the portion of Wealth Tax - Substitute taxpayer, since the company should be able to be reimbursed for this cost. However, as the method of assessment of taxes means that, for VAT, the entire production chain of the final goods or services participates in the tax depending on the value added that is generated and, for Wealth Tax, the proportional part is borne by the company, the taxpayers analyzed in this paper are subject to the payment of both taxes.

On the other hand, although Table 1 shows the different tax powers held by the Government, it should be clarified that, because of different harmonization and distribution processes, although a tax may be collected by one jurisdiction, it may be allocated to one or several other jurisdictions. Thus, for example, both Income Tax, Value Added Tax and Wealth Tax are collected by the National Government, but all or part of them are shared with the provinces. Likewise, many provinces have created sharing mechanisms of the most important revenues (such as turnover tax) with the municipalities that comprise them, so that it is not always the tax collector who uses those resources exclusively³.

² A precise estimate of "on whom a tax falls" requires both a detailed documentation of the legal aspects, which is the purpose of this study, and an analysis of economic incidence. The latter requires, in addition to detailed models, a level of access to different microdata bases only available in Argentina for national authorities, and their linkage. For references, see (Baker, Sun, and Yannelis (2020); Giroud and Rauh (2018); Ljungqvist and Smolyansky (2016); Heider and Ljungqvist (2015); Ljungqvist, Zhang, and Zuo (2017); Ljungqvist (2016); Serrato and Zidar (2017); Suárez Serrato and Zidar (2016); Fuest, Peichl, and Siegloch (2018).

³ For more information: https://www.argentina.gob.ar/sites/default/files/destino_de_los_impuestos_al_31-03-2021.pdf

Table 1: Tax classification and tax base

Level of government	Tax	Classification	Tax base
NATION	Income Tax	Taxes on income, profits, and capital gains	Accrued earnings
	Employer contributions	Social Security contributions	Gross remunerations
	Tax on Bank Credits and Debits	Taxes on financial and capital transactions	Credits and debits from bank current accounts
	Value Added Tax	General taxes on goods and services	Net price resulting from invoice or equivalent document
PROVINCES	Turnover Tax	General taxes on goods and services	Gross accrued income
	Stamp Tax	General taxes on goods and services	Total amount of the instrument
	Property Tax	Tax on property	Tax valuation of the property
MUNICIPALITIES	Urban Maintenance Tax	Tax on property	Tax valuation of the property
	Hygiene and Safety Services Tax	Tax on commerce	Gross accrued income
	Advertising and Publicity Fees	Tax on commerce	Number of square meters used

Source: own elaboration.

An additional clarification to be made concerns the method of tax collection and its economic evaluation. For this purpose, different examples may clarify the matter. The Turnover Tax (ISIB, by its initials in Spanish) is an annual tax with monthly advances whose taxable base is, in general terms and with exceptions, the taxpayer's monthly turnover. The determined tax arises from applying the rate applicable to the type of activity carried out to such base. Thus, the theoretical cost of ISIB on the specific activity is obtained.

However, there are different ways in which taxpayers make payments on account, ranging from withholdings from customers or banks to collections from different suppliers and/or imports. In Argentina, this type of collection at source by the tax administrations usually generates balances in favor of the taxpayer that persist over time.

Thus, the tax burden will be temporarily affected by the taxpayer's extra money income which, in inflationary contexts and with credits for extended periods of time, ends up generating a real tax burden that is impossible to measure with the available data.

This difference between the theoretical and effective (legal) tax burden that can occur in the ISIB can also be observed (and have significant consequences) in the rest of the main taxes, either Income Tax (IGG), or (beyond the scope of this paper) Value Added Tax (VAT).

Another aspect to consider is the repetition of taxable bases in the different taxes levied at the provincial-municipal level. Property Tax and Urban Maintenance Tax, although they are levied on different taxable events, both use the tax valuation of real property to determine the taxable base.

This also applies, at the provincial level, to the Turnover Tax and the Hygiene and Safety Services Tax since the same monthly turnover is used as the taxable base for the determination of these taxes.

This paper will focus on the impact that the legal tax burden has on taxpayers, without considering the financial impact that can occur (and in our country it happens very often) because of the method by which taxes are received by the Treasury.

Selection of districts

The Greater Buenos Aires area (AMBA) is the common urban area comprising the Autonomous City of Buenos Aires (CABA, former federal district, which after the constitutional reform of 1994 was established as an autonomous territory) and the following 40 municipalities of the Province of Buenos Aires: Almirante Brown, Avellaneda, Berazategui, Berisso, Brandsen, Campana, Cañuelas, Ensenada, Escobar, Esteban Echeverría, Exaltación de la Cruz, Ezeiza, Florencio Varela, General Las Heras, General Rodríguez, General San Martín, Hurlingham, Ituzaingó, José C. Paz, La Matanza, Lanús, La Plata, Lomas de Zamora, Luján, Marcos Paz, Malvinas Argentinas, Moreno, Merlo, Morón, Pilar, Presidente Perón, Quilmes, San Fernando, San Isidro, San Miguel, San Vicente, Tigre, Tres de Febrero, Vicente López, and Zárate.

It is a territory that extends from Campana to La Plata, bordered by the Rio de la Plata and imaginarily by Provincial Route 6, covering an area of 13,285 km². Based on official data, in 2018 more than 25% of the world's population lived in metropolitan areas. The AMBA, with more than 15 million inhabitants, concentrates 35% of Argentina's population and more than 40% of the country's economic activity. The AMBA is one of the 20 most populated metropolitan areas in the world.

The AMBA is not only the most populated region in the country, but also the most important in economic terms, concentrating around 45% of Argentina's economic activity. The main productive and service offers are concentrated in the AMBA, as well as the country's main urban, educational and health services.

The three levels of government coexist in the AMBA territory: national, provincial, and municipal, together with the Autonomous City of Buenos Aires. The coordination of different areas of government within these three levels of government is a task that must be conceived and designed to respond to the general demands of the population, but also to the specific demands of this type of territory.

Therefore, one of the factors to be studied in the field of economic development in the AMBA is related to the tax harmonization process to be achieved by different levels of government with the purpose of establishing coordination mechanisms to avoid or reduce the complexity of the current tax structure.

Table 2: Total population and absolute and relative intercensal variation of the Province of Buenos Aires, 24 districts of GBA and districts of the First ring. 2001-2010.

Province / District	Population		Absolute variation	Relative variation (%)
	2001	2010		
TOTAL, NATIONAL	36,260,130	40,117,096	3,856,966	10,6
Buenos Aires	13,827,203	15,625,084	1,797,881	13.0
24 districts of Greater Buenos Aires	8,684,437	9,916,715	1,232,278	14.2
First ring	4,243,236	4,831,709	588,473	13.9
Avellaneda	328,980	342,677	13,697	4.2
General San Martín	403,107	414,196	11,089	2.8
La Matanza	1,255,288	1,775,816	520,528	41.5
Lanús	453,082	459,263	6,181	1.4
Lomas de Zamora	591,345	616,279	24,934	4.2
Morón	309,380	321,109	11,729	3.8
San Isidro	291,505	292,878	1,373	0.5
Tres de Febrero	336,467	340,071	3,604	1.1
Vicente López	274,082	269,420	-4,662	-1.7

Source: own elaboration based on INDEC

Given the heterogeneity of districts and the development achieved within each one of them, we believe that, in a first study, it will be important to evaluate what is called the first ring of the AMBA, composed of nine districts of the province of Buenos Aires: Avellaneda, General San Martín, La Matanza, Lanús, Lomas de Zamora, Morón, San Isidro, Tres de Febrero and Vicente López.

This is because, as shown in Tables 2 and 3, these municipalities concentrate the largest population (Table 2) and, at the same time, have a great industrial dynamism (Table 3) which, added to the large number of services provided within the AMBA, shows their importance.

Table 3: Premises and employed persons in the Manufacturing Industry of the First ring of GBA. Share in the Province and in the GBA.

	Industrial premises				Employed persons			
	Quantity	Share			Quantity	Share		
		in the country	in the province	in the GBA		In the country	In the province	In the GBA
TOTAL, NATIONAL	85,093				955,849			
Buenos Aires	31,425	36.9			392,017	41.0		
24 districts of Greater Buenos Aires	22,003	25.9	70.0		247,755	25.9	63.2	
First ring	14,578	17.1	46.4	66.2	168,567	17.6	43.0	67.9
Avellaneda	1,038	1.2	3.3	4.7	13,329	1.4	3.4	5.3
General San Martín	2,384	2.8	7.6	10.8	30,969	3.2	7.9	12.6
La Matanza	1,184	1.4	3.8	5.4	9,408	1.0	2.4	3.7
Lanús	3,288	3.9	10.5	14.9	31,361	3.3	8.0	12.7
Lomas de Zamora	1,672	2.0	5.3	7.6	18,033	1.9	4.6	7.3
Morón	1,042	1.2	3.3	4.7	12,937	1.4	3.3	5.3
San Isidro	784	0.9	2.5	3.6	12,545	1.3	3.2	5.0
Tres de Febrero	1,915	2.3	6.1	8.7	17,641	1.8	4.5	7.0
Vicente López	1,271	1.5	4.0	5.8	22,345	2.3	5.7	9.0

Source: own elaboration based on the National Economic Census 2004/2005. INDEC

Selection of activities

In line with the work carried out in 2020 by the OPC, the activities selected therein are related to the weight they have in the national activity. Likewise, we understand that the meat processing, metal-mechanic, hotel, transportation, and supermarket sectors have, within the AMBA area, and more precisely within its first ring, an important activity that reflects the impact of tax burden on the economic development of the region.

Based on the considerations made, the economic weight of these sectors and the possibility of national coverage, we have decided to carry out this work by including the following activities:

Table 4: Selected activities and turnover ranges

Activity	AFIP Code*	Annual turnover (in ARS)	
		SMEs	Others
Meat processing	101012	200,000	2,400,000
Metal mechanic	282909	45,000	2,400,000
Hotel	551022	70,000	1,200,000
Supermarket	471120	50,000	800,000
Transportation	492299	50,000	800,000

* Classification of Economic Activities of AFIP (Federal Public Revenue Administration)

Source: own elaboration

Size of companies

Another important aspect to evaluate the tax burden of a specific activity is the size of the company. In recent years our country has applied differential policies depending on the size of the taxpayer. This segmentation was not only a consequence of policies at the national level, but the provinces and even the municipalities have applied differential treatments based on the size of the company.

For 2019, the base year of this analysis, a special tax treatment for Micro, Small and Medium Enterprises was in force at the national level, established by Law 24,467, whose benefits included the elimination of the Minimum Presumed Income Tax, Tax Incentives for companies that qualify as SMEs, payment of VAT within 90 days and, most importantly, the possibility of applying 100% of the Tax on Bank Credits and Debits (IDyCB) as payment on account of the Income Tax when the company is classified as Micro, Small and Medium-sized Section I, with the exception of those companies classified as Medium-sized Industrial Section I, in which the payment on account was established at 60% of the IDyCB.

Additionally, Resolution 220 of the SEPYME (Secretariat for Small and Medium-Sized Enterprises and Entrepreneurship) of April 2019 established the parameters to belong to each category and obtain the related benefits. For the purposes of this study, the turnover limits were established as shown in Table 5.

Not only the National Government made a differential policy for SMEs, but the provinces also made a distinction between those companies that were categorized, with their own provincial parameters, as small and medium-sized companies (which may or may not coincide with those established at the national level), and the rest of the companies. This type of differential treatment occurred mainly in the Turnover Tax, one of the most distorting within our tax system.

Table 5: Turnover limits by activity sector according to SEPYME. Year 2019

Category	Activity sector (in ARS)				
	Construction	Services	Commerce	Industry and mining	Agricultural
Micro	15,230	8,500	29,740	26,540	12,890
Small	90,310	50,950	178,860	190,410	48,480
Medium Section 1	503,880	425,170	1,502,750	1,190,330	345,430
Medium Section 2	755,740	607,210	2,146,810	1,739,590	547,890

Source: own elaboration based on legislation in force as of 2019

For the purposes of this paper, the assumption of two types of companies within each district and activity will be applied. One within the parameters of "Small Company" (which we will call "medium") and the other outside the parameters of the SME Law (called "large"), equivalent to classify it as large or outside the established parameters, all this according to resolution 220/2019 of the SEPYME in force in 2019.

The need to establish these parameters often results in certain activities not being developed in some districts. However, and as part of the reason for this report, the data collected may lead to conclusions that can be used as recommendations for improvement in terms of differential treatment.

Finally, within the framework of differential treatments, there are certain types of incentives used by municipalities that will not be considered for the purposes of this paper. The benefits in question are related to the promotion of activities (mostly industrial, but not exclusively) in some districts, through the implementation of promotion laws or ordinances aimed at establishing enterprises, such as the benefits within Industrial Parks or Development Zones.

Average Wage per Activity

Another of the fundamental parameters when evaluating tax burdens involves the wages for the activities being evaluated. Considering that social security contributions paid by employers are directly related to the gross wage, it is essential to find representative wages within each sector.

Table 6: Wages and number of employees by sector and company size

ACTIVITY	Size	Employees	Average wage
Meat processing	Medium	30	ARS 32,038
	Large	65	ARS 36,756
Metal mechanic	Medium	30	ARS 35,000
	Large	520	ARS 55,000
Hotel	Medium	21	ARS 19,750
	Large	594	ARS 29,807
Supermarket	Medium	4	ARS 32,469
	Large	94	ARS 49,004
Transportation	Medium	6	ARS 71,714
	Large	42	ARS 108,235

Source: own elaboration

This paper replicates the parameters used by the OPC in previous reports. Therefore, according to the previous report, wages were determined based on data provided by the chambers representing each sector, as well as on information from the Ministry of Labor, Employment and Social Security of the Nation.

As a summary, Table 6 describes the average wages used to measure the impact of Employer Contributions on total Tax Burden, as well as the estimated number of workers by company size.

Types of Taxes

Having clarified certain methodological aspects, the base period, the selection of activities and districts, among others, we will now briefly analyze each of the taxes that affect the different activities, their payments, as well as some of the assumptions made for each of them.

Income Tax

Definition

It is a general tax levied on income obtained by individuals, legal entities or other subjects established by law.

Individuals and undivided estates are taxed (except for explicit exceptions that are defined in each category), in accordance with what is called the source theory, since it taxes only those incomes or yields that are susceptible to a periodicity that implies the permanence of the source and its qualification.

Corporations, companies and/or permanent establishments are taxed by what is called the balance sheet theory, since it taxes any yield, income, benefit, or enrichment, even without having the characteristics of permanence of the source, periodicity, or qualification.

Resident individuals, under the terms of the law, are taxed on their worldwide income, that is, they include the Argentine income and the income obtained by individuals residing outside the country. In most cases, these subjects pay the tax by means of an annual tax return. On the other hand, beneficiaries residing abroad are taxed exclusively on their Argentine source income, in general, through the withholding procedure as a single and definitive payment.

Rates

Based on the selected base period, for 2019, the applicable rate for this tax was 30% on the net income subject to tax.

Although it is not part of this work, the profits distributed to the owners, partners or shareholders of companies were taxed at a rate of 7% for the same base period.

Assumptions

Given the lack of disaggregated data, and for the purpose of standardizing the criterion established in the previous study carried out by the OPC, a pre-tax result equivalent to 20% of the annual net turnover is assumed for all activities.

Social Security contributions

Definition

The so-called labor taxes vary depending on the modality in which the activity is carried out, whether it is an independent activity (self-employed) or an employment relationship. Although there are special regimes, such as provincial regimes, those for agricultural workers, construction workers and

domestic workers, we will present a brief review of the two main regimes, with special emphasis on the employment relationship, given its representativeness.

Regime for workers under employment relationship

Under this modality, the workers themselves contribute, as well as their employers. As for the contributions made by the employers, for the period under analysis, the changes introduced by the tax reform established by Law 27,430 were applied.

Rates and assumptions

Table 7: Composition of social security contributions

Allocation of contributions	Workers	Employers (EO 814)	
		Sec. 2 b)	Sec. 2 a)
Retirement	11%	18%	20.40%
INSSJP (PAMI)*	3%		
Health Coverage	3%	6%	6%
Total	17%	24%	26,40%

* National Institute of Social Services for Retired and Pensioners

Source: own elaboration

As for the contribution made by employers, of 18% or 20.40%, as the case may be, the amount to be deducted as Non-Taxable Minimum for the year 2019 was ARS7,033.68 for all private sector employers, except for the textile, clothing, footwear and leather goods sectors, as well as employers in the agricultural primary sector and some activities included in the industrial sector and certain employers of the health sector, whose deduction of the Non-Taxable Minimum was 100% for 2019, being established at ARS17,509.20 monthly, per full time worker.

It is vitally important to make two clarifications. The first is that the parameters used for each activity and company size are estimates made based on public information and queries that were answered during the study by chambers and companies. The range of workers considered, as well as the average wage, is based on that information and may vary as much as the number of companies in the sector, thus significantly affecting the fiscal cost. The second clarification is that the fiscal cost does not consider other additional costs, such as those related to the unionization of workers, which in many cases generate high extra charges.

Tax on Bank Credits and Debits

Definition

The tax on bank credits and debits is levied on credits and debits in a bank current account, as well as any other movement of funds, even in cash, regardless of the mechanisms used to carry them out, their denominations or legal instrumentation.

Rates and assumptions

For the calculation of the tax paid by each activity, it is assumed that 80% of the income from final sales (VAT included) have bank deposits and withdrawals at a rate of 1.2% (6‰ for credits and 6‰ for debits). Following the regulations in force for 2019, a 34% payment on account was established for companies considered as non-SMEs and 100% for SMEs (Executive Order 409/2018).

Turnover Tax

Definition

It is a tax levied on activities, acts or operations for the regular exercise, within a district, of commerce, industry, profession, trade, business, contracting of goods, works or services or any other activity for consideration (for profit or not-for-profit).

Rates and assumptions

In most cases⁴ (including those studied in this paper), a tax rate is applied to turnover, depending also on the type of activity and the annual gross income declared by the taxpayer.

Therefore, to the annual turnover defined in the following section for each size of company, the respective tax rate is applied in accordance with the activity code defined.

Stamp Tax

Definition

It is a tax levied on certain acts, contracts or transactions carried out or established by means of certain requirements. These minimum standards have been established by the Federal Tax Sharing Law to which the provinces and the Autonomous City of Buenos Aires have adhered. In the first place, the transactions must be for profit and in the form of an instrument, the latter being defined as *"any deed, paper or document evidencing the formalization of the acts, contracts and transactions ..., in a manner that has the external characteristics of a legal title by which compliance with the obligations may be demanded without the need of another document and regardless of the acts actually performed by the taxpayers"*⁵.

Rate

In all cases, a rate of 1.2% was applied to the total amount of the acts instrumented.

Assumptions

For the purposes of this work, and after gathering information from private sources, the following criteria were established.

For smaller companies, by activity, it is assumed that acts, contracts, or transactions are subject to a 5% tax on total sales, while for large companies, taxable transactions are assumed to be equivalent to 10% of net sales.

This difference between the instruments that tax large and small companies occurs because the former generally carry out operations in which the tax has a greater incidence with respect to smaller developments.

⁴ There are new tax designs in which a flat tax is applied for a certain category of taxpayers depending on their turnover range.

⁵ Section 9, Law 23, 548

Property Tax

Definition

It is a tax levied on an immediate manifestation of taxpaying capacity such as property and applies to all urban and rural real property.

Table 8: Tax rate applicable on urban real property

Tax base (ARS)		Fixed amount (ARS)	Rates on the excess
Greater than	Less than or equal to		Minimum limit %
0,00	179,851.00	207.00	0.03%
179,851.00	303,705.00	257.00	0.14%
303,705.00	406,303.00	428.00	0.28%
406,303.00	498,021.00	711.00	0.30%
498,021.00	586,669.00	989.00	0.33%
586,669.00	680,877.00	1,283.00	0.36%
680,877.00	787,480.00	1,621.00	0.39%
787,480.00	917,322.00	2,033.00	0.40%
917,322.00	1,088,071.00	2,552.00	0.41%
1,088,071.00	1,327,494.00	3,259.00	0.44%
1,327,494.00	1,712,754.00	4,317.00	0.48%
1,712,754.00	2,250,000.00	6,177.00	0.55%
2,250,000.00	3,100,000.00	9,143.00	0.83%
3,100,000.00	4,800,000.00	16,181.00	1.17%
4,800,000.00	10,000,000.00	36,122.00	1.59%
10,000,000.00	-	118,646.00	1.73%

Source: own elaboration

For its determination, a fixed minimum amount must be considered, plus an amount arising from the application of the tax rate on the tax valuations.

Assumptions

For the purposes of this paper, it is established that each business is the owner of the real property where the activities are carried out, so that the cost of the property tax is part of the total tax burden. This assumption is clarified, since there are occasions where the activities are carried out on real property owned by third parties and, as such, these taxes may be borne by the owner of the property.

In addition, the taxable base was established based on information provided by different chambers and companies of each sector.

Urban Maintenance Tax

Definition

This tax is levied on the direct services of lighting, collection of household waste, sweeping, watering, maintenance and ornamentation of streets, parks and promenades and the indirect services

provided by the municipality to its taxpayers, such as health, education, culture, sports, and others that benefit the inhabitants.

Depending on the municipality involved, this tax may be called by different names ("Tax on Lighting, Cleaning and General Services", "Tax on Lighting, Cleaning, Maintenance of Public Roads and Miscellaneous Services", "Tax on Cleaning and Indirect Municipal Services", among others).

Rate and assumptions

As for the method of determination of the tax, each municipality establishes in its Tax Ordinance the rates and minimum amounts to be applied to the municipal tax valuations which, for the purposes of this work, coincide with the valuations determined at the provincial level.

Hygiene and Safety Services Tax

Definition

This tax, also known as "tax for inspection of stores and factories", is levied on inspection services aimed at preserving the safety, health and hygiene inspection of stores, factories, warehouses, services or similar or any other activity for profit.

Rate and assumptions

The different methods for determining this tax have generated much debate within the doctrine and case law of our country since, in recent times, municipalities all over the country have established the tax base considering the companies' turnover. The objection that this form of calculation has raised is that, on occasions, the correlation that should exist between service cost and consideration cost is not reflected in the calculation method. Therefore, in all the municipalities considered, the rate is established by applying the rate determined by each municipality to the gross income accrued during the tax period.

Advertising and Publicity Fees

Definition

This fee is levied on advertising or publicity carried out on public spaces, made for profit and commercial purposes, whether audible or visual, mobile, or fixed, digital, or electronic.

Rate and assumptions

It is determined based on the amounts set by each municipality in the Tax Regulations depending on the number of square meters, except for the municipality of Lomas de Zamora, which is taxed according to a module.

We decided to apply the assumptions shown in Table 9, related to advertising in public spaces occupying different square meters, depending on the activities and size of the establishments.

Table 9: Tax base for advertising and publicity fees

Activity	Category	Sign (m2)
Meat processing	Medium	12
	Large	19
Metal mechanic	Medium	9
	Large	44
Hotel	Medium	34
	Large	34
Supermarket	Medium	3
	Large	43
Transportation	Medium	2
	Large	66

Source: own elaboration

Regulations reviewed

The tax regulations analyzed can be divided into two large blocks. On the one hand, national taxes, which have their own regulations depending on each tax and, therefore, it was necessary to analyze each law and its amounts or rates for 2019, if applicable.

On the other hand, the block of provincial and municipal regulations (in this case the Province of Buenos Aires and the municipalities covered) in which, based on the regulatory design, the taxes are governed by Tax Codes that create them and are then modified by Tariff Laws or Annual Tax Laws that establish the different amounts, rates, exemptions, and deductions for the respective tax period.

Income Tax (Income Tax Law)

Year	Legal framework	Regulatory Decree
2019	Income Tax Law (as amended in 1997)	1344/1998

Source: own elaboration based on public data

Social Security contributions

Year	Legal framework	Regulatory Decree
2019	EO 814/2001	759/2018

Source: own elaboration based on public data

Tax on Bank Credits and Debits

Year	Legal framework		
	SMEs	Non-SME Companies	
		Law	Regulatory Decree
2019	Law 27,264	25,413	409/2018

Source: own elaboration based on public data

Provincial taxes

Tax	Tax Code Law	Annual Tax Law
Turnover	Law 10,397 (as amended in 2019)	Law 15,079
Stamp		
Property		

Source: own elaboration based on public data

Municipal taxes

District	Tax Code	Tariff regulation
Avellaneda	Ordinance 28,451/2018	Ordinance 28,452/2018
General San Martín	Ordinance 12,379/2018	Ordinance 12,380/2018
La Matanza	Ordinance 25,249/2018	Ordinance 25,250/2018
Lanús	Ordinance 7,244/1991 (as amended in 2019)	Ordinance 7,244/1991 (as amended in 2019)
Lomas de Zamora	Ordinance 16,776/2018	Ordinance 16,777/2018
Morón	Ordinance 17393 (as amended in 2019)	Ordinance 17394/2015 (as amended in 2019)
San Isidro	Ordinance 9,057/2018	Ordinance 9,058/2018
Tres de Febrero	Ordinance 3,382/2018	Ordinance 3,381/2018
Vicente López	Ordinance 36,355/2018	Ordinance 36,356/2018

Source: own elaboration based on public data

Results Obtained

In all cases, tax burden is the share of tax costs on turnover value before VAT.

The average tax burden of all the activities evaluated is 12.3%. However, when we go deeper into each of them, the dispersion of tax burden is evident. Thus, meat processing plants have the lowest tax burden compared to other activities, and, at the other extreme, activities related to the hotel industry have the highest tax burden of the five activities analyzed.

When tax burden by activity is analyzed, companies with a lower tax burden are those of a smaller size. In this respect, it can be inferred that, despite certain economies of scale that larger companies can achieve, the differential treatments granted especially by the National Government (through payment on account of the Tax on Bank Credits and Debits), as well as by the province (with a lower rate on turnover tax), explain the internal dispersion.

Table 10: Tax Burden by company size and activity

Activity	Category	Tax burden 2019
Meat processing	Medium	8.70%
	Large	8.60%
Metal mechanic	Medium	13.10%
	Large	12.70%
Hotel	Medium	13.60%
	Large	16.70%
Supermarket	Medium	11.40%
	Large	15.00%
Transportation	Medium	11.50%
	Large	11.80%
Average		12.30%

Source: own elaboration

Table 11: Tax burden by district

District	2019
Avellaneda	12.3%
General San Martín	12.5%
La Matanza	12.4%
Lanús	12.3%
Lomas de Zamora	12.5%
Morón	12.8%
San Isidro	12.1%
Tres de Febrero	12.0%
Vicente López	12.1%
Min.	12.0%
Average	12.3%
Max.	12.8%

Source: own elaboration

Considering the breakdown by district, the total results do not show a significant dispersion, and this is because, within the total structure of tax burden, municipalities receive the smallest share. However, Morón is the district that generates the highest burden since it applies the highest rate on turnover for "Safety and Hygiene Services Tax".

The structure of the tax costs of the activities under analysis shows that Income Tax is the most representative of all, followed by Social Security contributions and Turnover Tax, completing 90% of the structure with the Tax on Bank Credits and Debits. Remarkably, these last two taxes (which represent more than 28% of the total fiscal cost) are taxes that are not applied in any other country in the world.

Table 12: Tax burden by tax

	Tax	2019	
		By tax	by level of govt
National	Tax on Bank Credits and Debits	1.2%	8.7%
	Social Security Contributions	2.4%	
	Income Tax	5.2%	
Provincial	Turnover Tax	2.3%	2.5%
	Property Tax	0.1%	
	Stamp Tax	0.1%	
Municipal	Municipal	1.1%	1.1%
	Total	12.3%	

Source: own elaboration

Another interesting point shown by the study is related to the way in which tax collection is distributed. The National Government and the provinces, in general, collect 85% of tax revenues, while the municipalities follow in third place.

Table 13: Tax burden by institutional sector

Distribution by institutional sector	Total
National Government + ANSES*	41.3%
Health Coverage and ART**	5.8%
Provinces	44.0%
Municipalities	8.9%
Total	100.0%

* National Social Security Administration

** Labor Risk Insurance Companies

Source: own elaboration

In this respect, it is noteworthy that the preponderant weight of the Income Tax in the fiscal year, whose distribution is shared between the National Government and the Provinces, has been key for the latter to compete with the National Government for the largest share.

Likewise, the weight of the municipalities in total tax revenues is also of interest. From the research carried out, and in comparison, with the previous study conducted by OPC, it can be observed that the Hygiene and Safety Tax charged by the municipalities of Greater Buenos Aires, whose tax base is associated with the companies' turnover, has a much higher significance than the ones observed in other districts of the rest of the country.

Finally, given that all districts analyzed belong to the Province of Buenos Aires, the differences in tax burden arise from different regulations at the local level. Table 14 shows the composition of tax burden by level of government.

Table 14: Distribution of tax burden by sector and level of government

As % of turnover

	Meat processing		Metal mechanic		Hotel		Supermarket		Transportation	
	Medium	Large	Medium	Large	Medium	Large	Medium	Large	Medium	Large
National taxes	7.3%	7.4%	12.2%	10.5%	7.5%	11.3%	6.7%	8.9%	8.7%	9.0%
Provincial taxes	0.6%	0.6%	0.1%	1.6%	4.9%	4.7%	3.6%	5.1%	1.6%	1.8%
Avellaneda	0.3%	0.3%	0.6%	0.5%	0.8%	0.7%	1.8%	1.8%	1.9%	1.8%
General San Martín	1.2%	1.5%	0.8%	1.5%	1.5%	1.6%	0.7%	1.5%	1.3%	1.6%
La Matanza	0.9%	0.9%	0.7%	0.7%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Lanús	0.9%	0.9%	0.9%	0.9%	1.4%	1.0%	0.7%	2.0%	1.0%	1.1%
Lomas de Zamora	1.0%	1.0%	1.1%	1.0%	1.0%	1.0%	1.8%	1.8%	1.4%	1.3%
Morón	1.5%	1.5%	1.5%	1.5%	1.7%	1.6%	1.5%	1.5%	1.6%	1.6%
San Isidro	0.5%	0.8%	0.5%	0.8%	0.9%	0.9%	1.3%	1.3%	0.6%	1.1%
Tres de Febrero	0.7%	0.7%	0.7%	0.7%	1.0%	0.8%	0.7%	0.7%	0.8%	0.9%
Vicente López	0.6%	0.6%	0.7%	0.6%	1.7%	0.9%	0.7%	0.7%	1.0%	1.2%

Source: own elaboration

Conclusions

From the results obtained, it can be concluded that the Tax Burden observed, based on the activities and size of companies, was in line with the results obtained by the OPC when evaluating these activities in other districts of the country⁶.

In addition, there is a sharp difference between industrial activities and those related to services provided to the final consumer (hotels and supermarkets). This bias in favor of primary activities is partly the result of the implementation of maximum rates in the Turnover Tax under the Fiscal Consensus of 2017. Through this interprovincial agreement, maximum rates were set with a significant reduction in industrial and primary activities with respect to the rest.

Although municipal taxes are not relatively important with respect to the total tax burden, there is great complexity when establishing criteria, tax bases and applicable rates, in addition to a lack of homogeneity in the data that does not favor fiscal transparency, a basic rule for the possibility of doing business within the Greater Buenos Aires Area (AMBA).

⁶ In the previous report, 30 cities were studied, of which 24 were provincial capitals (plus the City of Buenos Aires) and the remaining 6 were major cities outside the Greater Buenos Aires Area

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This report does not contain binding recommendations.

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