Incentives Regime for Large Investors (RIGI) in Law 27,742

Summary of the Main Features of the Regulation

On August 23, 2024, the Official Gazette of the Argentine Republic published Decree 749/2024, which regulates Title VII of Law 27,742, "Foundations and Starting Points for the Freedom of Argentines," which includes the Incentives Regime for Large Investors (RIGI). Below are its main guidelines. For further information, a careful reading of the published text is recommended.

It should be noted that:

- The information provided here results from an initial analysis of the text published in the Official Gazette;
- Article 2 of the aforementioned Decree subjects the RIGI Regulation to clarifications and interpretations that will be included in supplementary norms issued by the Ministry of Economy (MECON), the Argentine Revenue Service (AFIP), and the Argentine Central Bank (BCRA).

1.- Executive Summary

The RIGI Regulation outlined in Annex I of Decree 749/2024:

- Designates the Ministry of Economy (MECON) as the Implementing Authority, responsible for resolving adhesion requests based on the non-binding opinion of a Project Evaluation Committee. This committee will base its opinions on technical reports from public agencies with primary responsibility in the matter of the project.
- Assigns a significant role to the Argentine Central Bank (BCRA) in interpreting and implementing the foreign exchange benefits of the Law, and to the Argentine Revenue Service (AFIP) concerning customs matters.

  During the evaluation, MECON must seek BCRA's opinion when the Investment Plan indicates that the Project generates a net demand for foreign currency (expenses exceeding income), excluding dividend and interest payments. BCRA will assess the impact on external sector sustainability and the consequences of a potential reserve crisis.

  Exchange Market distortion will be presumed absent if BCRA determines that the Project is primarily funded locally, or if, at the time of accessing the foreign exchange market, the foreign currency liquidated by the Project exceeds its demand (Article 52).
- Specifies sub-sectors within the eight RIGI areas that can be the subject of Investment Projects (Article 3n). These can be summarized as follows:
  - <u>Forestry</u>: wood, forest planting;
  - <u>Tourism</u>: lodging and accommodation;
  - <u>Infrastructure</u>: logistics, transport, recreation, public services (health, sanitation, education, defense and security), telecommunications, and infrastructure necessary for other RIGI sectors;
  - <u>Mining</u>: prospecting, exploration, development, preparation, extraction, and exploitation;

    - Technology: biotechnology, nanotechnology, innovative mobility, energy transition, aerospace, satellite, nuclear, software, robotics, artificial intelligence, armament, and defense;
    - Steel: processing of iron, steel, and alloys;
    - Energy: generation, storage, transport, and distribution of electricity, low-carbon energy, bioenergy, and CO_2 capture;
    - Oil & Gas: offshore exploration and exploitation, treatment, transport, storage, petrochemicals, including fertilizers, and LNG liquefaction.
- Includes the possibility for already existing and operational projects in Argentina to adhere to RIGI for future expansions (Article 60), under the condition that:
    - they meet the RIGI requirements;
    - their Investment Plans demonstrate that benefits will only apply to the Expansion and not to the pre-existing project;
    - the VPU maintains separate accounting for the Expansion, or establishes a Dedicated Branch as stipulated by Law 27,742.
    - benefits apply only to production exceeding the capacity of the pre-existing project;
    - the separation of both projects is feasible.
- Sets minimum investment thresholds above USD 200M (Article 29) only for:
    - Offshore hydrocarbon production and exploitation and for export intended gas (USD 600M);
    - Oil & gas transport and storage (USD 300M).
- Requires that components of the same project be located within a 200 km radius, with some exceptions (Article 3j).
- Provides detailed requirements for each component of the Investment Plan (Article 3), emphasizing the VPU's obligation to declare under oath if they will use the benefit of not liquidating exports in the local Single Free Exchange Market, MULC (Article 3o) and the goods for which they seek customs benefits (Article 82).
- Outlines requirements for RIGI service providers (Articles 8 to 26), which cannot be controlled subsidiaries of a VPU.
- Defines the scope of benefits that will have regulatory stability for THIRTY (30) years:
    - *Tax Benefits*: Specifies timelines and procedures for transferring losses to third parties and their use (Article 70), which is beneficial for projects that generate profits several years post-investment.
    - *Customs Benefits*: Establishes an ad hoc verification regime for RIGI goods, and requires guarantees to cover non-compliance (Articles 84-89).
    - *Exchange Benefits*: Sets guidelines for accessing the Single Free Exchange Market (MULC) to pay debts, remit dividends, and set foreign currency guarantees, so that these actions do not deteriorate national foreign currency reserves (Article 100).

The start date to enjoy these benefits will be the date of the first export or the disbursement of 40% of the minimum amount established by law (excluding essential services, shares, real estate, usufructs, or mining and energy concessions), whichever comes first (Article 94).

  - *Regulatory Benefits*: Clarifies that the only taxes to be paid are those within RIGI incentives and those not covered by RIGI but in effect at the time of adhesion (Article 105).
  - *Jurisdictional Benefits*: Creates the RIGI Panel as an additional dispute resolution mechanism and requires the VPU to specify the chosen mechanism in their application (Article 134).

- Regarding Strategic Long-Term Export Projects (EELPs), the Regulation:
  - Increases the minimum amount to USD 2,000M (Article 32), and requires at least two stages of USD 1,000M each (Article 40b).
  - Allows the combination of related projects into one to meet the minimum threshold for an EELP (Article 41).
  - Requires proof that Argentina did not export the product generated by the Project when Law 27,742 came into effect, or that it did, and the project will add destinations, or that Argentina's share of the global market is less than 10% (Article 40a).
  - Allows considering an EELP project that did not meet the minimum thresholds for that category within the General RIGI Regime (Article 45).
- Requires biennial verification of VPU compliance with the Supplier Development Plan (Article 50).
- Prohibits the accumulation of benefits to the same investment of a VPU (Article 109).

2.- Detailed aspects of the RIGI

a) <u>General Aspects</u> (Chapter 1, Articles 164-66 of Law 27,742

The Ministry of Economy (MECON) is designated as the implementing authority for the RIGI. MECON has the power to call upon any Executive Branch official with a rank of Undersecretary or higher (Article 122).

MECON will establish a Project Evaluation Committee responsible for reviewing applications submitted by Unique Project Vehicles (VPUs) and Local Suppliers. These applications must include a technical report from the relevant Executive Branch area with expertise in the project's subject or activity, recommending either approval or rejection.

The Regulation creates three registries (Article 2): Unique Project Vehicles (VPUs); Strategic Long-Term Export Projects; RIGI Suppliers.

b) <u>Scope</u> (Chapter 2, Articles 167-170 of Law 27,742

• *Areas*. Law 27,742 restricts RIGI to projects classified as Large Investments within eight sectors: ○ Forestry ○ Tourism	• *Areas* (art. 3n). ○ <u>Forestry Industry</u>: wood, forest planting; ○ <u>Tourism</u>: lodging and accommodation; ○ <u>Infrastructure</u>: logistics, transport, recreation, public services, health,

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Infrastructure
Mining
Technology
Steel
Energy
Oil & gas

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sanitation, education, defense and security, telecommunications, and infrastructure necessary for the development of other RIGI sectors;

<u>Mining</u>: prospecting, exploration, development, preparation, extraction, and exploitation;
<u>Technology</u>: biotechnology, nanotechnology, innovative mobility, energy transition, aerospace, satellite, nuclear, software, robotics, artificial intelligence, armament, and defense;
<u>Steel Industry</u>: processing of iron, steel, and alloys;
<u>Energy</u>: generation, storage, transport, and distribution of electricity, low-carbon energy, bioenergy, and CO2 capture;
<u>Oil and Gas</u>: offshore exploration and exploitation, treatment, transport, storage, petrochemicals, including fertilizers, and LNG liquefaction.

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Deadlinees. Projects can join the RIGI only within TWO (2) years from July 8, 2024, the date when when Law 27,742 was published in the Argentine Official Gazette and took effect (arts. 168, 228). The Executive Branch may extend this period for only ONE (1) additional year.

Article 227 establishes that the RIGI will be fully operational, even if no further rules are issued. It also introduces penalties for officials who fail to comply with the law’s deadlines or terms without justification.

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Deadlines. Not regulated.

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Covered Subjects. Articles 169 to 174 specify that eligible entities are referred to as "Single Project Vehicles" (VPUs in Spanish). These include corporations, branches of foreign companies or temporary unions, established solely to present and, if approved, develop one or more phases of a single long-term project qualifying as a Large Investment under the law.

Since a VPU cannot engage in activities beyond the project for which it joined the RIGI, or allocate assets to other purposes, corporations (SA in Spanish) and limited liability companies (SRL in Spanish) in this situation may register a "dedicated branch" –an entity with its own CUIT (Tax Identification Code) and capital, created solely for executing the investment

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Covered Subjects. VPUs must meet Law 27,742 requirements, its regulations, and supplementary norms (art. 1). If existing entities or associative contracts are used as of the date of the Law's enactment, necessary adjustments shall be made (art. 4) to ensure they have a Unique Project and assets exclusively dedicated to it, except for working capital or required by law. A Dedicated Branch may also be created (art. 5). It will be registered in the Public Registry of its domicile, have a CUIT, maintain capital exceeding the legal minimum, keep separate accounting from the parent company, and be accredited for the Project’s assets, with the purpose of developing it (art. 6). Infrastructure or Project assets may only be used by third-party contractors of the VPU for its development, or as required by law

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project (art. 170). The regulation also allows: o Holders of concessions for infrastructure or service operations to join the RIGI, if they present an investment plan meeting the RIGI requirements and renegotiate their contracts with the State, to align with project conditions under the Law (art. 178); o suppliers of goods or services to a VPU adhering to the RIGI to register in order to benefit from customs exemptions in the Regime for merchandise imported for this purpose, provided the import exceeds the minimum percentage of total billing set by the Enforcement Authority (art. 169, final section). Finally, the direct or indirect transfer or assignment of quotas, shares or social participations of the VPU adhered to the Regime is permitted without prior authorization from the Enforcement Authority, with the only requirement being to report the transfer within 15 calendar (art. 207). • *Excluded Subjects*. Article 171 forbids individuals or entities involved in a VPU from joining the RIGI if, at the time of submitting the investment project, they are: o under final conviction in the second instance for crimes listed in Law 27,401, such as bribery, influence peddling, negotiations incompatible with the exercise of public functions, extortion, illicit enrichment, and aggravated falsification of financial statements; o declared bankrupt, or are tax and/or social security debtors; o convicted due to tax, customs, or exchange-related criminal complaints; o as tax, customs or social security debtors.	(art. 7). Temporary Business Associations (UTEs) shall be composed of independent, registered companies with projected market activity (art. 81). The Unique Project shall be an economic unit, indivisible of the VPU, so proof of 100% ownership of assets will be required, as well as connection of the Project components within a radius of up to 200 km in such way that omitting any component would prevent the execution of the Project, except for transport infrastructure, or when multiple integrated unique projects are involved, or if MECON decides to expand the 200 km radius (art. 3j). Local Suppliers are individuals with fiscal residence in Argentina, or legal entities established there, controlled by individuals or entities with fiscal residence in Argentina, who provide services or goods of national origin in accordance with ACE 18, to one or more VPUs adhering to RIGI (art. 3f). Service providers adhering to RIGI cannot be controlled by a VPU (art. 9). They shall supply capital goods (BK) or information and telecommunications goods (BIT), or intermediate goods transformed for the Project (art. 8). They must submit an application with VPU name, project, service contract, details of the goods to be imported, and a declaration of their destination (art. 10). MECON will resolve the application, indicating the goods that will benefit from incentives (art. 11, 12). Imported and undelivered goods will be stored, and shall not be transferred or used for other purposes, except with MECON authorization plus tax payment (art. 13 to 16). Goods must be delivered to the VPU within a year, unless otherwise specified in the delivery schedule. They may be used for replacement. MECON will determine the end of their useful life. After that they may be removed from service (art. 17-22). MECON will establish the minimum percentage of total sales that each service provider must meet. Following an investigation, MECON may suspend and/or revoke a provider for failing to meet the minimum sales requirement. The general infringement regime of RIGI shall apply (art. 23-26). • *Excluded Subjects*. Ineligibilities apply to whoever has a direct stake in the share capital (art. 27). Ineligibilities due to convictions will be nullified if the sentence is overturned, or

	when the penalty is served or the offense is time-barred (art. 28).

c) <u>Requirements</u> (Chapter 3, Articles 172-176)

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<td>To join the Regime, submitted projects must be:

Large investments, defined as:

Long-term, with the net cash flow for any given year not exceeding 30% of the total investment to be disbursed over the first THREE (3) years of project development. The Executive Branch may modify this percentage for all sectors simultaneously (art. 172).
With a minimum amount of USD 200 million in eligible investment assets, with at least 40% to be disbursed in the first TWO (2) years. The Executive Branch has the authority to set higher minimum amounts and, in exceptional cases, reduce this percentage to 20% and/or authorize the inclusion of essential services contracts as eligible assets (art. 173).
Intended for acquiring, producing, building or developing assets, or acquiring a company, VPU, or its shares, or to assigning assets to a "Dedicated Branch", subject to Law 27,742 limits and conditions (art. 174).

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Large Investments:

Net cash flow is the operational one, including debt, advances, and prepayments (art. 33).
The minimum amount of USD 200M shall only be different in: offshore exploration and production of oil & gas; export intended gas (USD 600M), and transport and storage of oil & gas (USD 300M) (art. 29). It will apply to expansions of preexisting projects (art. 30). The higher amount will be considered when there is no predominant sector (art. 31). Assets not expressly indicated in the Law will not be admitted (art. 34).
Acquisitions shall be effective once the issuing company’s partners are notified (art. 36). The allocation of assets to a Dedicated Branch will be valid once the resolution of the competent authority of the parent company is issued. The Argentine Commercial Establishment Transfer Regime shall not be used (art. 37).
Direct investments in shares, real estate, real rights, as well as in mining and oil, & gas concessions cannot exceed 15% of the minimum amount (art. 38).
Services provided by suppliers controlled by the VPU will not be considered essential for calculating the minimum amount (art. 39).

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Or Long-Term Strategic Exportation (art. 172), which must:

Exceed USD 1 billion per stage.
Position Argentina as a new long-term supplier in global markets where it currently lacks significant participation.
Meet the conditions under the General Regime.

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Long-Term Strategic Exportation (EELP) shall meet the following requirements:

Minimum amount of USD 2,000M (art. 32), which may be divided into at least two stages of USD 1,000M each. If done this way, there will be no minimum requirement from the third stage onward. Any excess amount will be applied to the subsequent stage (art. 40b).
Disburse at least 20% of the USD 2,000M in the first two years, excluding shares, real estate, real rights, mining concessions, and oil & gas concessions (art. 40c), but

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	including usage rights (art. 42). o Demonstrate that Argentina did not export the product that the Project will generate when Law 27,742 came into effect, or that it does and the project will add destinations, or that Argentina accounts for less than 10% of the global market (art. 40a). o In the case of multiple VPUs, submit each application separately with its requirements, and a commitment of joint liability for all applicable obligations (art. 40d). Integration of projects from different VPUs into a single EELP project is allowed, provided that their components meet the requirements and are within a radius of 200 km, or that there is physical integration of those exceeding this radius. The responsibility of the VPUs shall be joint, except for returning improperly received incentives. If MECON determines that a VPU has failed to meet the requirements for EELP Projects, without prejudice to the penalties imposed, it may be included in the General Regime, if it meets its requirements (art. 45).
	• *Expansion of a previous existing non RIGI Project (art. 60)*. Its adherence can be requested, provided that the expansion: o Meets the prescribed requirements; o The Investment Plan demonstrates that the benefits will apply only to the Expansion, and not to the previous project; o The VPU maintains separate accounting for the Expansion, or establishes a Dedicated Branch; o The VPU accepts that the benefits will be calculated for the production exceeding the capacity of the preexisting project; o The separation of both projects is feasible. • *Expansion of a previous RIGI Project* (art. 61): it will not require prior authorization from MECON, it will enjoy the incentives under the terms authorized for the preexisting project, but this will not allow the extension or modification of the preexisting project, nor can it alter its condition as a Unique Project. VPUs can only acquire projects that are expansions of the one they already own, and must request MECON approval to acquire two or more of them.

	Shares of a VPU with a project already adhering to the RIGI can be acquired, but they cannot be counted as assets for the minimum amount (art. 62).

In both cases, the application for membership must include an Investment Plan detailing, at least (art. 176):
• Description;
• Corporate data of the VPU executing the Project.
• Address for notifications.
• Total investment amount, and detailed breakdown.
• Allocation of funds.
• Execution schedule.
• Investment amount in the first and second years.
• Technical study demonstrating the VPU's non distortion of the local market.
• Deadline for specifying the minimum investment amount.
• Sources of financing and guarantees, because financing is at the VPU's risk.
• Estimated direct and indirect employment generation, and local integration.
• Local supplier development, including existing capacity.
	The application must include (art. 47):
	• <u>Description</u>: Investment Plan, location, and relevant RIGI sector.
	• <u>Corporate Data of the VPU</u>, including:
	    ○ Certificate of validity and certified corporate documentation by notary public or regulatory body;
	    ○ Documentation proving that the Unique Project is managed by the VPU;
	    ○ Affidavit stating that no other activities will be carried out nor will there be external assets to the VPU, except for working capital, legal requirements, or usage rights in EELP Projects.
	• <u>Address</u>: physical and electronic one, with designation of a representative before MECON and individuals with standing in disputes.
	• <u>Amount</u>, detailing:
	    ○ Disbursements, with item and concept, both prior to adherence as well as to be developed in each stage.
	    ○ Acquisitions and assets that can only be computed up to 15% of the minimum amount, such as shares, real estate, etc.
	    ○ Amounts to cancel essential service contracts (up to 20% of the minimum amount), specifying the provider; affidavit that it is not controlled by the VPU.
	    ○ Estimated payments to entities related to the VPU.
	• <u>Main categories</u> to which the computable assets will be allocated, detailing each type.
	• <u>Schedule</u>, including work deadlines, construction to be developed, start date, useful life, and a report evidencing long-term or maturity.
	• <u>Initial amount</u> during the first and second year.
	• <u>Declaration of no distortion of the local market,</u> supported by:
	    ○ A technical study by a lawyer or accountant detailing the product or service to be offered, market evolution, potential affected

actors, and positive and negative effects of the projected investment.

  - Financing data, balance and currency flow, and economic feasibility, demonstrating that there will be no distortion.

- Deadline by which the minimum investment amount will be met. For EELP Projects, this will be before the last day of each of the first two stages.

- Financing, describing source, method, amount, schedule, origin, if it will be external, and whether it will enter through the Single Foreign Exchange Market (MULC). The VPU (and not the State) will assume any risk from the incurred debt.

- Employment, direct and indirect jobs involved in each stage, as well as percentage of workers with residency in Argentina.

- Local suppliers, including:

  - Affidavit committing to local procurement in the construction and operation stages for at least 20% of the total investment, provided that those goods, services, and works are available at market price and quality. To verify market price, the ex-factory price will be compared with the CIF price plus safeguards and anti-dumping. Availability means that they can be provided in quantities, times, and qualities acceptable to the VPU, without delaying or postponing the project (art. 51). Suppliers not adhering to the RIGI will be accepted, but not companies controlled by the VPU, unless they are the only ones able to provide the goods (art. 49).

  - Total investment amount in local and foreign procurement.

- Production and export amount (estimates), including schedule.

- Currency flow balance for the first THREE (3) years.

- Feasibility (technical, economic, and financial), including risk matrix, mitigation plan, independent evaluator's report, so that MECON is able to assess if the project will promote economic development and large investments, plus affidavit, indicating whether or not the progressive exemption from export liquidation in the MULC provided in art. 198 of the Law will be used.

	• <u>Permits and authorizations</u> obtained and to be obtained, specifying type, jurisdiction, granting authority, and status of processing. For EELP Projects, the requirement will be considered met when presented in the first stage (art. 43). • <u>Project benefits</u>, through a technical analysis showing that it aligns with the objectives of the RIGI established in art. 166 of the Law. • <u>Signature</u> of the VPU's legal representative. The submission of an application implies that the VPU accepts all RIGI regulations and commits to diligently comply with them, and not to engage in abuses (art. 48). Companies reorganizing so as to meet RIGI requirements for a VPU shall provide proof of such reorganization along with the Investment Plan (art. 93). The list of goods intended to benefit from customs incentives shall also be attached (art. 82).

d) <u>Evaluation</u> (Chapter 3, Articles 177-178)

Once the application and the Implementation Plan are submitted to the Enforcement Authority designated by the Executive, it must approve or reject them within 45 calendar days. The decision will be based on non-discretionary, objective criteria. The Enforcement Authority may also request additional information or clarifications to make its decision. Rejections cannot be appealed, but do not prevent the submission of a new investment plan up to two times within the calendar year, or other projects. Rejections can only be based on one or more of the eight reasons established by the Law, such as failure to meet requirements, failure to provide information, a clear technical, economic or financial impossibility to fulfill the proposed investment plan, or the determination that the project will distort the local market, among others. The VPU will have RIGI rights from the submission of the application and must fulfill its obligations from the notification of the administrative act resolving its request. Article 178 assigns property rights over the incentives acquired under the RIGI, which cannot be violated or affected by subsequent regulations during the THIRTY (30) years of stability, unless one of the termination causes specified in the disciplinary	The lack of an affidavit and report of no distortion of the local market will result in the *in limine* rejection of the application (art. 52). When evaluating the project, MECON (art. 52): • May request a non-binding opinion from the National Commission for the Defense of Competition. In this case, MECON will forward all observations to the VPU for response, because VPUs are not exempt from the obligations of Law 27,442 on Defense of Competition, though they do not have greater obligations than those determined by the law. • Must request an opinion from the BCRA if the Project generates a net demand for foreign exchange (greater outflows than inflows). The BCRA will indicate the impact on the sustainability of the external sector and the consequences of a potential reserve crisis. It will be presumed that there is no market distortion if the project: • Is for the production or export of commodities; • Will export more than 90% of its production; • At the time of requesting access to the Single Free Foreign Exchange Market (MULC), has an income flow greater than outflows.

regime established by Law 27,742 in Chapter VIII, arts. 211-217, is met. It is to note that the stability guarantee of this article is similar to that contemplated in Article 8 of Law 24,196 on Mining Incentives (1993), among other regimes providing similar incentives.	MECON may request non-binding opinions from other government agencies, which will suspend the deadlines. These agencies must respond within 10 days (art. 53). MECON will make a decision within 45 calendar days but may request clarifications with a suspensive effect on deadlines. The VPU will have at least 15 days to respond (art. 54, 55). Failure to respond by MECON within the deadline does not imply approval (art. 59). If MECON decides to approve a submission, but includes some of the restrictions of art. 193 of the Law (quantitative, quotas, economic limits, etc.), the VPU may withdraw within 5 days of being notified of the MECON decision (art. 56). A revised plan for a rejected project can be submitted up to two times in the same calendar year (art. 58).

e) <u>Monitoring</u> (Chapter 3, Articles 179-182)

Law 27,742 authorizes the Enforcement Authority to monitor and control the VPU's compliance with its obligations, the commitments made in the Project, and the proper use of benefits (art. 179). Changes to amounts and compliance dates can only occur with the Enforcement Authority's approval (art. 180). Other modifications need only be notified by the VPU. Projects may be suspended due to force majeure (art. 181). A guarantee is required to preserve the tax credit. This guarantee may be in the form of cash, public debt securities, bank guarantees, insurance, real guarantees, or other forms authorized by regulations (art. 182).	VPUs shall prove compliance with their Supplier Development Plan once every two years (art. 50). No authorization shall be required when transferring assets by order of a public authority; however MECON shall be informed of the operation. The transfer will not affect the minimum amount if the transferred amounts do not impact the Project. There will be no need to replace them (art. 63). The invocation of force majeure must be in writing within 15 days of the occurrence or knowledge of the event, with proof of the cause of suspension or closure and obligations that cannot be fulfilled. It will not suspend the VPU's obligations and rights. MECON will make a decision within 10 days. If a suspension of the Project is decided, RIGI benefits shall not be enjoyed; to resume them, the VPU will notify in writing that the event has ceased (art. 64).

f) <u>General Regime Benefits</u> (Chapter 4, Articles 183-196; Chapter 5, 198-200)

The Law establishes a series of non-cumulative benefits compared to those of similar nature provided by existing promotional regimes but allows for cumulative benefits when they differ from those established by Law 27,742 (art. 208). • *Fiscal Benefits.* They are provided on the condition that they do not involve a transfer to	Benefits are not cumulative if applied to the same investment by an adhering VPU (art. 109). In tax and customs matters, benefits of the same nature are those that either exempt entirely or partially from a rate, or reduce it, or allow one tax to be counted against another, or relate to the same

foreign treasuries (e.g., parent companies of multinational companies) due to the application of a global minimum tax aimed at implementing the second pillar of the OECD's Inclusive Framework on Base Erosion and Profit Shifting or BEPS (art. 196). They include: ○ *Income Tax*. Reduction from 35% to 25% in the corporate tax rate; accelerated depreciation (art. 183); and a reduced rate of 3.5% on individual income from dividends and profits after seven years of adherence to the RIGI (art. 181-2). The legal limit of five years for compensating or absorbing losses may not apply, under art. 209. ○ *Value Added Tax (VAT)*. Payment of taxes with tax credit certificates, as outlined in Art. 187. Regulations will determine whether such credits can be transferred to third parties. ○ *Tax on Debits and Credits in bank accounts*. 100% discount on this tax, credited against the income tax base (art. 189).	aspect of the taxable base. In foreign exchange matters, RIGI benefits cannot be accumulated with the following regimes: the Gas Promotion Plan, the Foreign Exchange Access Regime for Incremental Oil Production (RADPIP), the Foreign Exchange Access Regime for Incremental Natural Gas Production (RADPIGN), the Promotion of Knowledge Economy Exports, and the Export Increase Program (art. 110). • *Tax-related benefits:* ○ *Income Tax*: The 25% rate applies after adhering to RIGI (art. 68). Accelerated depreciation is optional and applies to all assets, which must be retained until the end of their useful life. Depreciation rates for mines, quarries, and forests are increased by 60% (art. 69). AFIP will authorize the transfer of losses to third parties within 45 days of the request and may audit their existence at any time (art. 71). The third-party acquirer cannot deduct the loss beyond the fifth year from when it is recorded (art. 70). Specific criteria, outside the general Income Tax regime, are established to determine if there is a link between a VPU and an Argentine taxpayer (art. 76). Temporary Business Associations (UTEs) are considered taxable subjects (art. 81). ○ *VAT*: The VPU may pay this tax with certificates, without needing authorization. The VPU shall report monthly on their use. Improper use of certificates will incur penalties with interest, without harming third parties who received them in good faith (art. 78, 79). The VAT Law will apply supplementarily (art. 80). ○ *Debits and Credits*: Not regulated. Tax benefits enjoyed by Dedicated Branches shall be proportional to be amount transferred to the Branch from the parent company. Full VAT may be transferred only if there is sufficient technical balance to do so (art. 91).
• *Customs Benefits.* The Law prohibits quantitative restrictions (quotas, limits, etc.) or qualitative economic restrictions, even for reasons related to the internal market supply, unless such restrictions are outlined in the Implementation Plan (art. 193). Additionally Law 27,742 provides: ○ *Imports*. Exemption from import duties,	• *Customs*: ○ The prohibition of all restrictions for economic reasons, as stated in art. 193 of the Law, does not exempt from controls, restrictions, or prohibitions related to health or safety (art. 90). ○ *Imports*:

statistical fees and destination verification for imports of goods for consumption, as well as temporary imports of new capital goods, spare parts, components, and any advance payments (art. 190). ○ *Exports*. Exemption from export duties (retentions) three years after joining the RIGI (art. 191).	Consumer Goods: Benefits will apply only to those listed in the affidavit of the Investment Plan (art. 82). Their destination will be verified until: the end of their useful life, or the stability period, or the Project's completion, or its re-exportation, or until taxes are paid, or the MECON decides to release them (art. 84). Any change in destination or transfer must be authorized by MECON (art. 85). Failing to comply with the declared destination will require payment of duties (art. 86). Violating the general importation regime (art. 190 of the Law) will result in payment of duties, fines, and penalties (art. 87). Release of consumer goods from the regime will be immediate when duties are paid and after verification by Customs, in the case of re-exportations (art. 88). The general goods destination verification regime of AFIP will apply supplementarily (art. 89). Capital Goods: These are BK (capital) or BIT (telecommunications) according to the Mercosur nomenclature, new, spare parts, or components, and allocated to the Project. Inputs will incur duties (art. 83). The VPU must provide a guarantee for capital goods, which will be enforced in cases of violations as specified in the Law, unless they are re-exported within 60 days, or taxes are paid, or their useful life has ended, or they are exempt from condemnation (art. 65, 66). The PAIS tax is suspended for the importation of new capital goods (art. 138). ○ *Exports*: Not regulated. Dedicated Branches adhering to RIGI will be exempt from the general customs restrictions imposed to these entities by the regulations (art. 92). The usual rates and self-assessment procedures of art. 204 of the Law will not apply to consumer goods and capital goods in this section (art. 107).
• *Exchange Benefits*. Art. 199 of Law 27,742 establishes the free availability of foreign currency, and: ○ Exemption from exchange restrictions or prior authorizations for the remittance of profits, dividends or interest, within the limits established by Law 27,742. ○ Exemption from limits on holding liquid assets abroad, except for measures requiring priority payment of debts to foreign entities (art. 199).	• *Foreign Exchange*: The start date for these benefits shall be that of the first export, or disbursement of 40% of the minimum amount, excluding essential services, shares, real estate, use rights, or mining and energy concessions, whichever occurs first (art. 94). ○ The progressive scheme in art. 198 for not liquidating export currencies in the Single Free Exchange Market (MULC) will also apply to pre- and post-financing, both local and foreign (art. 98), and will not have any restrictions except when priority use

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A progressive scheme that allows not to convert export proceeds into local currency in the Single Free Foreign Exchange Market (in Spanish, MULC) for up to 20% of exports after two years, 40% after three years and 100% after four years (art. 198).
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regulations are set by the BCRA (art. 99).

The BCRA may condition the access to foreign currency for VPUs whose Investment Plan includes the use of the progressive scheme benefit under art. 198 of the Law on the presentation of a net inflow of liquidated foreign exchange in the MULC at the time of the request. Foreign Direct Investment (FDI) in capital goods will count as foreign exchange income, as defined by the BCRA (art. 100).
Access to the foreign exchange market will be for local financing (foreign currency debt with local financial institutions, local bonds or promissory notes, etc.) and for payment of debts with abroad, provided the loan has been liquidated in the MULC (art. 100).
VPUs that have partially entered investments, loans, and other debts with abroad through the MULC can access foreign exchange only to pay the proportional part of dividends or interest.
Non-resident creditors of a VPU can access the MULC to exchange into foreign currency payments received in pesos due to guarantees or defaults.
The BCRA may allow access to the MULC for a VPU to pay guarantees of foreign debts, or to accumulate export receipts that guarantee such debts (art. 101).
Access to the MULC for payment of profits, dividends, or interest to non-residents cannot exceed the proportional amount of their capital contribution, FDI, loans, or other external debts liquidated in the MULC (art. 104).

A VPU's claim regarding an action or omission by a public authority affecting the normal development of its project should be submitted in writing, identifying the causes and the agency. MECON will have 5 days to take measures to restore the normal development of the project (art. 102).

The regulations for exercising the rights to access the MULC will include the use of exports to pay debts with abroad (art. 103).
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Regulatory Benefits. Law 27,742 establishes benefits regarding:
Operation. Exemption from any obligation to market products domestically, guarantees against confiscation or expropriation of
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Regulatory Benefits.
Operation. Not regulated.
Regulatory Stability. Stability applies to all taxes (tax, fee, or contribution), and to rights, duties, or other import and export
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investments, and State assistance against any such attempts by national or foreign authorities, as well as the right to continue the project's operation, except by judicial measure (art. 200). ◦ *Regulatory Stability*. It is established in tax, customs, exchange, and regulatory matters for THIRTY (30) years following the VPU's accession to the RIGI, within the scope and limitations set forth in arts. 201 to 205. Additionally, a streamlined procedure is established for resolving any interpretation differences between the VPU and the Enforcement Authority in foreign exchange matters. ◦ *Free Zones*. Access to benefits is permitted, even in free zones (art. 208).	levies. The only taxes to be paid are those with RIGI incentives and those not covered by RIGI but in force at the time of adhesion. The VPU may offset against other taxes any ones that have been collected contrary to the Law. Benefits will not end after the 30-year stability period, unless otherwise stipulated by regulation (Article 105). The BCRA will notify the MECON of any proceedings initiated due to a complaint of a breach of the regulatory stability by a VPU, so that within 30 days it issues a non-binding opinion (Article 108). ◦ *Free Zones*. Not regulated.
• *Jurisdictional*. Law 27,742 provides for dispute resolution, first through consultations or friendly negotiations, and then, through international arbitration at the VPU's choice among various mechanisms, including ICSID (art. 221), without the need to exhaust administrative remedies first. The Law also includes protection under applicable Bilateral Investment Promotion Treaties or BITs (art. 222).	• *Jurisdictional*: the Decree establishes definitions for CPA, disputes, authorized professionals, shareholders of a VPU, etc. (art. 124). In submitting an application to the RIGI, a VPU may establish procedures and requirements for notifying the existence of a dispute. However, this will always be communicated to MECON, with a copy to the Attorney General's Office (art. 124). The VPU will state in writing in its application for adhesion to the RIGI that it will resolve its disputes according to the mechanisms provided by the Law. Upon adhering to the RIGI, the arbitration contract will be perfected. Both parties may waive the right to appeal the arbitration award (art. 128). The Decree establishes a notification scheme to implement amicable resolution, prior to arbitration (art. 127). If in a dispute arbitration rights, benefits, or incentives of the VPU for foreign shareholders or partners are invoked, the dispute shall only be submitted to the International Chamber of Commerce Rules or the ICSID. The State may sue the VPU, its partners, and shareholders before the arbitral tribunal. Any resolution through expedited mechanisms must have the written consent of the Argentine State. The VPU can withdraw from a dispute and initiate a similar new one, provided it exempts the State from costs in the original case (art. 130). The applicable law for any dispute is Argentine

	law (art. 131). Compensation will include actual damage and lost profits (art. 129). Each Party will bear its own costs and will disclose in writing the name of a third party that has provided a grant or donation to cover those costs (art. 132). MECON may suggest specific dispute resolution procedures, subject to the VPU's express consent (art. 133). The RIGI Panel is established for projects that specify it as a dispute resolution mechanism, with the composition and characteristics set out in art. 134 of the Regulation. Subsequent claims concerning the same project and VPU will be consolidated with the initial claim (art. 135). Investment is not considered protected by the BIT until the application for adhesion is approved, with the scope and protection as applicable (art. 136).

g) <u>Benefits for Long-Term Strategic Export Projects</u>

Outside the general regime outlined above, projects qualifying as Long-Term, Strategic and Export oriented by the Enforcement Authority will receive additional incentives:
 	
• *Tax Benefits.* Exemption from Income Tax on payments for international charter or shipping services of exports, and for services included in engineering, procurement and construction management contracts, and a reduced rate of 30% for payments for other concepts, unless a more favorable treatment exists.
 	
• *Customs Benefits.* Exemption from export duties starting two years after joining the RIGI, instead of three, as generally required under the Regime (art. 191).
 	
• *Exchange Benefits.* An accelerated scheme allowing not to convert export proceeds into local currency in the Single Free Foreign Exchange Market (in Spanish, MULC) by up to 20% of exports after one year (instead of two), 40% after two (instead of three) and 100% after three (instead of four) years (art. 198).
 	
• *Regulatory*. The Law also provides benefits regarding:
 	
  ○ Production Restrictions. It declares the inapplicability of any restriction requiring
	The additional benefits of EELP Projects shall have the following features:
	
	• *Taxation.* Deductions and exemptions for payments of transportation and construction services under Article 185 of the Law may involve the transfer of income to foreign tax authorities, except when it involves the application of a global minimum tax (Article 73).
	
	Concepts other than international transportation and construction, to be taxed at a 30% rate, shall be all the remaining concepts (Article 74). Accretion rules shall not apply (Article 75).
	
	• *Customs*. No regulation.
	
	• *Exchange*. No regulation.
	
	• *Regulatory*. No regulation.
	
	  ○ Stability period. It can only be extended for those stages that reach USD 1,000M (Article 44).

the purchase of inputs from national suppliers under less favorable conditions than market conditions. No measure will require dedicating a new infrastructure for transport and processing of inputs to activities other than the project, or affect long-term export authorizations (art. 193). o Stability period. The Law allows extending tax, customs, exchange and regulatory stability for up to FORTY (40) years, instead of 30 (art. 201).	

h) <u>Infractions Regime</u> (Chapter 8, Articles 211 to 217)

Law 27,742 establishes a series of sanctions for VPU non-compliance, focusing on omissions or falsehoods in providing information to the Enforcement Authority, misuse of goods imported with tax and customs benefits for purposes other than those specified in the project, engaging in activities not exclusively related to the project, and any other undue enjoyment of the RIGI's benefits. The RIGI includes a scheme for submissions and discharges during the verification stage of any non-compliance and, once proven, a series of fines and penalties ranging from ARS 10 million to 15% of the minimum investment amount, depending on the severity of the case. Penalties may even include expulsion from the Regime and disqualification from applying with new projects. Aside from the cases mentioned, articles 209 and 210 establish termination by right, when the project ends, the VPU goes bankrupt, or voluntarily requests withdrawal, among other issues.	Failure or delay in providing information will be deemed when there are repeated requests from the MECON with no response on substantial aspects of the RIGI, and only after a formal notice with a warning of sanctions. The VPU's rights can only be suspended following a resolution that initiates an infringement proceeding (Article 137). The suspension of incentives imposed in an infringement proceeding will include the VPU's obligations (Article 119). When an infringement proceeding is initiated due to the alleged improper enjoyment of tax benefits, the MECON may request the provision of a guarantee in cash, securities, bank guarantees, insurance, real assets, or other forms as per Article 182 of the Law. Exemption from criminal charges for improper enjoyment of benefits due to interpretative differences does not exempt one from filing reports in other cases (Article 106). A resolution that condemns improper enjoyment will require the payment of exempted taxes and the enforcement of guarantees. Improper enjoyment will be understood as arising from: • Intent, fraud, or abuse of rights; • Non-compliance with 40% of the minimum amount within two years, or 100% by the declared date; • Failure to meet the long maturation period; • Any enjoyment of benefits after the condemning resolution (Article 115); • Failure in local procurement obligations (Article 116). The VPU's defense must be submitted within 30 days of the initiation of the proceeding. Penalties

	shall apply if the offender is a local supplier (Article 117). Sanctions shall be applied gradually and proportionally to the infringement and the case. Fines must be paid within 20 days, and benefits may be suspended preventively. If the expiration is determined due to non-compliance with the minimum amount, it shall not have retroactive effects. Responsibility for non-compliance is always joint and several (Article 118). Termination due to the end of the Project or VPU bankruptcy must be notified in writing within 10 days (Articles 111, 112). Voluntary withdrawal can be requested at any time and will take effect when approved by the MECON, which must issue a decision within 45 days. Requests for clarification shall suspend this period. Rights and obligations cease with any withdrawal (Article 113). Improper enjoyment of incentives shall not be a reason for termination (Article 114). The cessation date will be the date of the MECON's resolution establishing it (Article 120). The lifting or revocation of the RIGI termination, if definitively ordered by a judicial authority, will imply the recognition of unused benefits, provided that the VPU also fulfills any outstanding obligations (Article 121).