Automobiles & Auto-parts Industry in Argentina
# Table of Contents

1. **EXECUTIVE SUMMARY**
   - 03

2. **MARKET VISION AND STRUCTURE**
   - Value chain structure 04
   - Market size 05
   - Geographical distribution of national production 06
   - Turnover 07
   - Top 5 Argentine auto parts 08
   - National production 10
   - Car loan market 11
   - Vehicle fleet 14

3. **MAIN COMPETITORS**
   - Main automobiles competitors 18
   - Main auto parts competitors 19

4. **PUBLIC POLICIES AND TRADE AGREEMENTS**
   - Public policies 21
   - Trade agreements 22

5. **INDUSTRY TRENDS**
   - Recent trends 26
   - Medium-term demand 27
   - Future perspectives 28

6. **INTERNATIONAL TRADE**
   - Exports 30
   - Imports 31
   - Trade balance 32
   - Automobiles export partners 33
   - Automobiles exports by category 34
   - Automobiles import partners 35
   - Automobiles imports by category 36
   - Auto-parts export partners 37
   - Auto-parts import partners 38
   - Argentine market share 39

7. **OPPORTUNITIES FOR INDIAN COMPANIES** 41

8. **CONSIDERATIONS FOR FOREIGN INVESTORS**
   - Country overview 43
   - Current economic context 44
   - Taxation and labor 45
   - Relevant legislation 47
   - Exchange rates 59

9. **CONCLUSION** 61

10. **USEFUL INFORMATION** 63
EXECUTIVE SUMMARY

The demand in the automobile domestic market reached 883,000 units in 2017, while the auto parts industry generated USD 6.39 billion the very same year.

While SUVs and commercial vehicles represent 57% of national total production, 71% of the vehicles sold in the domestic market are imported.

The Argentine automotive fleet comprises 14 million vehicles, 75% of which are cars. Half of those vehicles are registered in the City of Buenos Aires and the Province of Buenos Aires.

The automotive trade balance has been in deficit since 2017. While the deficit in the automobile industry stood at USD 4.25 billion, automotive parts industry recorded a trade deficit of USD 6.3 billion. Argentina’s main trading partner is Brazil, both in respect of the trade of automobiles and automotive parts.

Electric cars have a potential for growth within the Argentine market, which generates investment opportunities.
MARKET VISION AND STRUCTURE
MARKET SIZE

20
Vehicle manufacturers

300
Vehicle body manufacturers

1217
Automotive parts manufacturers

78,000 Employees

2017
TOTAL REVENUE
USD 6,392 million

DOMESTIC MARKET
883,802 vehicles

RESALE OF IMPORTED UNITS
624,794 vehicles
The production chain is located in 4 provinces: Buenos Aires, Santa Fe, Córdoba and Tucumán.

Buenos Aires, Santa Fe and Córdoba produce vehicles and auto parts. Tucumán only produces auto parts.
Total sales of national automobiles in the domestic and foreign markets

Source: Compiled based on information provided by ADEFA.

The national automobile production hit all time high in 2011 with 828,771 units produced. Production has decreased year after year since 2013 reaching a total of 473,408 units in 2017, which represented a 40% drop compared with 2013. It is estimated that the total production in 2018 will be similar to last year’s production.

The industry’s turnover followed the same trend, except in 2017 where turnover in dollars increased. The reason for such increase lies, mainly, in the fluctuation of the exchange rate: when the Argentine peso depreciated 60% in the period 2015-2016, it just depreciated 12% in the period 2016-2017.
During 2013-2017, the sales of automotive parts declined in keeping with the decrease in automobile production. This demonstrates that the auto parts industry relies heavily on the automotive industry.

Source: AFAC and companies of the industry.
A great variety of auto parts are manufactured in Argentina, particularly transmissions, engine parts, engines, wheels, tires, chambers, and vehicle bodies.

**TOP 5 AUTO PARTS MANUFACTURED IN ARGENTINA**

1. Transmissions
2. Engine parts
3. Engines
4. Wheels, tires, and cameras
5. Vehicle bodies

Source: AFAC.
The output of the Argentine automotive production has mainly been automobiles and, to a lesser extent, SUVs. This trend shifted in 2016 when the number of manufactured SUVs almost equated the number of automobiles. In 2017 the number of SUVs manufactured outdid the number of automobiles produced the very same year.
Even though national production of vehicles dropped, the total sales in the domestic market did not follow the same trend. Conversely, sales have been following an upward trend since 2015. This increased the supply deficit, which was subsequently covered by imports. Of the 473,408 units produced in Argentina in 2017, only 259,000 (54%) were allocated to the domestic market, which means trade deficit was overturned with 624,794 imported units.

Source: Compiled based on information provided by ADEFA.
Historically, the Argentine automotive market was mainly supplied with imported vehicles. In 2017 imports gained even more participation.
Savings plans predominate in the Argentine market: in 2017 almost half of the purchases of vehicles were financed with these plans. Captives came second in place providing 33.2% of financing.
Automotive companies showed the most significant growth in the car loan market in 2017 as compared to the previous year. However, these companies hold the least market share. Overall, all creditors saw an increase in the number of car loans.

## CAR LOAN MARKET

<table>
<thead>
<tr>
<th>Lienholder</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks</td>
<td>56,787</td>
<td>74,277</td>
</tr>
<tr>
<td>Captives</td>
<td>91,153</td>
<td>144,507</td>
</tr>
<tr>
<td>Saving plans</td>
<td>177,990</td>
<td>204,004</td>
</tr>
<tr>
<td>Automotive companies</td>
<td>1,188</td>
<td>2,041</td>
</tr>
<tr>
<td>Dealers</td>
<td>4,260</td>
<td>5,596</td>
</tr>
<tr>
<td>Others</td>
<td>5,469</td>
<td>5,335</td>
</tr>
</tbody>
</table>

### Evolution % 2017 vs 2016

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks</td>
<td>30.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Captives</td>
<td>58.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saving plans</td>
<td>14.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automotive companies</td>
<td>71.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dealers</td>
<td>31.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>-2.5%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Compiled based on information provided by ADEFA.
The Argentine vehicle fleet comprises around 14,108,904 vehicles in total, 75.8% of which are cars. Buenos Aires is the province with the largest number of vehicles.
MAIN COMPETITORS
### MAIN COMPETITORS. AUTOMOBILES.

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>MARKET SHARE</th>
<th>COMPANY</th>
<th>MARKET SHARE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volkswagen Argentina S.A.</td>
<td><strong>17.5%</strong></td>
<td>Ford Argentina S.C.A.</td>
<td><strong>13.4%</strong></td>
</tr>
<tr>
<td>General Motors Argentina S.R.L.</td>
<td><strong>15.5%</strong></td>
<td>FCA Argentina S.A.</td>
<td><strong>13.2%</strong></td>
</tr>
<tr>
<td>Renault Argentina S.A.</td>
<td><strong>14.6%</strong></td>
<td>PSA Peugeot-Citroën S.A.</td>
<td><strong>12.9%</strong></td>
</tr>
<tr>
<td>Toyota Argentina S.A.</td>
<td></td>
<td></td>
<td><strong>10.9%</strong></td>
</tr>
</tbody>
</table>
### MAIN COMPETITORS. AUTO PARTS.

<table>
<thead>
<tr>
<th>RANKING</th>
<th>COMPANY</th>
<th>MARKET SHARE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mirgor</td>
<td>21%</td>
</tr>
<tr>
<td>2</td>
<td>Scania</td>
<td>6%</td>
</tr>
<tr>
<td>3</td>
<td>SKF</td>
<td>2.9%</td>
</tr>
<tr>
<td>4</td>
<td>Gestamp</td>
<td>3.8%</td>
</tr>
<tr>
<td>5</td>
<td>RobertBosch</td>
<td>2.4%</td>
</tr>
<tr>
<td>6</td>
<td>FPT Industrial</td>
<td>2.3%</td>
</tr>
<tr>
<td>7</td>
<td>Denso Manufacturing</td>
<td>1.8%</td>
</tr>
<tr>
<td>8</td>
<td>Pabsa – Magna Seating</td>
<td>1.8%</td>
</tr>
<tr>
<td>9</td>
<td>Faurecia</td>
<td>1.6%</td>
</tr>
<tr>
<td>10</td>
<td>Lear</td>
<td>1.5%</td>
</tr>
</tbody>
</table>
PUBLIC POLICIES AND TRADE AGREEMENTS
## PUBLIC POLICIES

<table>
<thead>
<tr>
<th>Regulation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>System for the Development and Strengthening of Argentine Automotive parts industry - Law 27,263</strong></td>
<td>Its goal is to boost the integration of national auto parts into the production of automobiles, agricultural machinery, self-propelled road machines and the like. It grants tax credit through electronic means for the payment of national taxes for a sum proportional to the purchase of local auto parts. Such tax reintegration will range from 4% to 15%, depending on the degree of national integration. The production must apply national inputs: at least a 30% for automobiles and SUVs, 25% for light commercial vehicles and cargo and passenger transport, and 15% for engines.</td>
</tr>
<tr>
<td><strong>Certificate of Approval of Safe Auto parts - Law 24.449 / INTI Regulation N ° 218/11</strong></td>
<td>It authorizes the trade, import or transfer of any auto part or safety element in Argentina and it is mandatory for all vehicles that circulate on public roads. It must be requested by importers and manufacturers of auto parts and safety elements not produced as a standard during the manufacturing of the motor vehicle.</td>
</tr>
<tr>
<td><strong>Productive Recovery Program (REPRO)</strong></td>
<td>It grants a monthly fixed amount of money to workers from affiliated companies who are under financial distress. This sum is subject to tax and must be equal to a minimum salary. It is payable for a term of 12 months and seeks to compensate the workers' current salary according to their category.</td>
</tr>
</tbody>
</table>
# PUBLIC POLICIES

<table>
<thead>
<tr>
<th>Regulation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-Factory Customs Regime (RAF)</td>
<td>It allows automotive companies to import raw materials, inputs and fixed assets free of tariffs providing that they are applied to vehicles manufactured for the foreign market.</td>
</tr>
<tr>
<td>Agreement between the National Argentine Bank (B.N.A, Spanish acronym) and the Association of Automotive dealerships of the Argentine Republic (A.C.A.R.A., Spanish acronym)</td>
<td>Lines of personal credits to purchase national or imported automobiles, either new or second-hand cars (up to 5 years old).</td>
</tr>
<tr>
<td>Loans from the Bank of Investment and Foreign Trade (BICE, Spanish acronym)</td>
<td>Lines of credit granted to SMEs for investment projects, acquisition of fixed assets, and productive modernization or reconversion.</td>
</tr>
<tr>
<td>Transitory elimination of internal taxes established in Law 24.674</td>
<td>Valid until December 31, 2018. This law applies to motor vehicles for passengers with less than 8 seats, apart from the driver’s seat, with motorized chassis and diesel engines, provided that their market value does not exceed ARS 900,000 (USD 24,000 approx.). Those exceeding this amount will be levied a 20% tax.</td>
</tr>
</tbody>
</table>
### PUBLIC POLICIES

<table>
<thead>
<tr>
<th>Regulation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction of extra-zone import duties (Decree 331/2017)</td>
<td>Reduction of tariffs (from 35% to 5-0%) to import up to 6000 hybrid, electric or hydrogen engine vehicles already assembled, auto parts and pieces for manufacturing purposes, for a period of 36 months.</td>
</tr>
<tr>
<td>One Million Plan</td>
<td>It is an agreement between the State, companies and unions to promote the automotive industry, generate 30,000 jobs, and support local suppliers of auto parts. This agreement seeks to increase domestic production so as to manufacture 750,000 vehicles in 2019 and 1 million in 2023; it also aims to diversify export markets by exporting at least 35% of the products to countries outside Mercosur, as well as to keep prices at levels similar to other economies in the region, and develop the flexible fuel, hybrids and electric vehicles.</td>
</tr>
</tbody>
</table>
# Trade Agreements

<table>
<thead>
<tr>
<th>Partner</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Common Automotive Policy between Argentina and Brazil</strong></td>
<td>It establishes that automobiles, chassis, bodies, trailers, semi-trailers and auto parts traded between the Parties are granted a 100% tariff preference. In addition, it provides for a common external tariff of 35% imposed on motor vehicles; the auto parts apply the common external tariff established by Mercosur.</td>
</tr>
<tr>
<td><strong>MERCOSUR</strong></td>
<td>It establishes a common external tariff that ranges from 14% to 20% for automobiles and from 14% to 18% for auto parts (with a few exceptions at 0-2%)</td>
</tr>
<tr>
<td><strong>Mexico</strong></td>
<td>Mexico grants export quotas for automobiles, SUVs, chassis, and bodies with a 100% tariff preference for a period of four years (March 2015-2019) and agrees on the free trade of such products thereafter.</td>
</tr>
<tr>
<td><strong>Colombia</strong></td>
<td>Colombia establishes a 100% tariff preference for a period of four years (2017-2020) to trade automobiles, SUVs, passenger vehicles and chassis and sets a quota that will increase progressively until it reaches 42,000 units. It further grants tariff preferences for the trade of some auto parts.</td>
</tr>
<tr>
<td><strong>Ecuador, Venezuela, Bolivia, Peru, Chile, Israel and Egypt</strong></td>
<td>Tariff preferences imposed on auto parts.</td>
</tr>
</tbody>
</table>
INDUSTRY TRENDS
### RECENT TRENDS

<table>
<thead>
<tr>
<th>Partner</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>In 2017 Volkswagen, Renault-Nissan, PSA, Mercedes Benz, Toyota, General Motors and BYD announced investments totaling USD 2,500 million. The investments announced for the upcoming years are aimed at new platforms for the production of automobiles and pick-ups. Toyota and BYD will also have a go with electric cars.</td>
</tr>
<tr>
<td>Commercial situation</td>
<td>Greater diversification of models translates into an increasingly competitive market that welcomes new actors.</td>
</tr>
<tr>
<td>Electric vehicles</td>
<td>Even though the number of electric vehicles trades in Argentina is very limited, there are public policies and company projects to steer demand towards this type of vehicles. In 2017, the government regulated the reduction and elimination of import tariffs on hybrid, electric cars and vehicles propelled by fuel cells.</td>
</tr>
</tbody>
</table>
MEDIUM-TERM DEMAND

Demand will be impacted in the medium term by structural factors:

- **Extension and improvement of the road network** with an infrastructure investment plan of USD 12 billion.
- **Technological innovation** will modify the demand: electric cars will increase their market share.

- **Traffic congestion** in big cities and improvement of the public transport network.
- **An Increase in the price of fuel** after the elimination of local subsidies and the rise of the international price of fuel.
1. Car sales in the domestic market have fallen in the last months due to the current economic crisis. The economy does not show any signs of improvement. Besides, it is forecasted that the recovery of the Brazilian economy will be translated into a steady and moderate growth of exports, which may compensate for the domestic market’s stagnation.

2. In the next few years, hybrid and electric vehicles will gain more ground as Argentina is beginning to apply policies to encourage the production and trade of electric cars. The country counts with inputs that are key to manufacture this type of vehicles such as lithium, which is used in batteries.

3. The main destination of Argentine exports will continue to be Latin America, especially Brazil, which is why the relationship with this country will remain strategic.

4. The auto parts industry will continue to run a trade deficit subject to its strong reliance on imports unless the State adopts policies to support auto parts exporters in the areas that show the greatest levels of trade deficit.
Vehicle exports hit a record level in 2013 producing a turnover of USD 8.5 billion. Nevertheless, they have dropped sharply ever since then and until 2016. This decline lies in a lower demand from Brazil, a country that has been undergoing an internal crisis in the past few years. Hence, auto parts were affected in a similar fashion. Notwithstanding the economic upheavals, exports picked up in 2017.
An ambiguous trend has been evidenced since 2014: the sales of cars rise, but their production declines. Such trend led to a progressive increase in imports. Similarly, imports of auto parts have slightly shrunk due to lower local production of vehicles.

Source: Compiled based on information from INDEC and ADEFA.
The auto parts industry trade balance has historically been in deficit in Argentina running a deficit ranging from USD 6 to 7.5 billion during the last 8 years. Similarly, the automotive trade balance underwent alternative periods of trade surplus and deficit; nevertheless, the deficit deepened in 2016 and 2017 due to the rise of imports.

Source: Compiled based on information from INDEC and ADEFA.
A 64.8% of Argentine exported cars are allocated to Brazil, which evidences the strong reliance of the industry on such country. Toyota is the main exporter of the Argentine market, followed by Ford, which holds barely half the market share.
SUVs/Commercials comprise the majority of Argentine exports. Only 1/4 of exports correspond to automobiles.

Source: Compiled based on information provided by ADEFA.
In terms of imports, Argentina also heavily depends on Brazil: 83.3% of automobiles are imported from this country. This commercial relationship is facilitated by trade agreements.

Source: Compiled based on information provided by ADEFA.
As opposed to exports, the vast majority of imports are cars. Import of trucks only represent 12% and buses 1%.

Source: Compiled based on information provided by ADEFA.
The 62% of auto part exports are allocated to Brazil. There is a high dependence on the Brazilian market, as is the case with automobiles.
Auto parts imports show greater diversification than the automotive imports in spite of the fact that Brazil is the main importer. Nevertheless, Brazil has less market share and other countries have greater participation such as China, Thailand, Germany, the United States, etc.

Source: Compiled based on information provided by INDEC and ADEFA.
ARGENTINE MARKET SHARE

AUTOMOBILES

Argentine automobiles production represented 0.5% of the total worldwide production in 2017.

AUTO PARTS

The argentine auto parts market represents 1.8% of the global market.
OPPORTUNITIES FOR INDIAN COMPANIES
OPPORTUNITIES FOR INDIAN COMPANIES

1. The market of electric cars in Argentina has a lot of growth potential. The national government is promoting the production of electric cars and some companies have announced investment plans to start producing them in the short term.

2. Manufacturing vehicles in Argentina grants access not only to the local market but also to the Brazilian market and the rest of MERCOSUR with special tariffs. Indian companies may profit from this situation and expand their presence in Latin America.

3. Selling or manufacturing auto parts in Argentina is a potential opportunity given the heavy reliance on imports.

4. Opportunities to enter into joint ventures with local automotive companies.

5. Argentina specializes in manufacturing pick-ups, a type of vehicle that is ideal for activities related to stockbreeding, agriculture, mining and oil production, i.e. the country’s principal economic activities. Thus, this sector presents an investment opportunity.
CONSIDERATIONS FOR FOREIGN INVESTORS
COUNTRY OVERVIEW

Total population: 44,494,502

Men: 21,824,372
Women: 22,670,130

ARGENTINE PESO

National currency

2018

ESTIMATED INFLATION: 47%
ESTIMATED GDP GROWTH: -2.6%
Argentina is one of the countries with the world’s highest inflation rate. The inflation rate is expected to reach 47% by late 2018, almost doubling last year’s inflation. Such scenario creates an extra difficulty at the time of conducting businesses that does not occur in most countries. The Argentine economy lacks stability in terms of prices.
Argentina's GDP has been expanding and shrinking alternatively portraying the volatility of the economy. GDP is expected to contract 2.6% in 2018. By the end of 2018 the unemployment rate reaches 10.8%.
In Argentina, tax collection efforts are carried out at national, provincial, and municipal level by levying taxes on income, assets, and consumption.

The agency in charge of collecting taxes, monitoring, and controlling taxation at national level is AFIP (Spanish acronym for Argentine Revenue Service).

Consequently, taxes are classified into three tiers: national, provincial, and municipal.
# TAXATION AND LABOR: NATIONAL TAXES

| **INCOME TAX** | All income is subject to tax. Local subsidiaries of foreign legal entities are regarded as resident businesses and are, therefore, subject to tax. The applicable tax rate is 35% and applies to total income. Non-resident businesses with no branches or permanent offices in Argentina are only subject to local income tax. |
| **VALUE ADDED TAX (VAT)** | VAT applies to the values of goods and services at every stage of production. General VAT rate is 21%; nevertheless, the rate for certain goods and services is set at 10.5% or 27%. Imports are subject to the same VAT rate as local goods and services. Exports are exempt from VAT. |
| **MINIMUM PRESUMED INCOME TAX** | Minimum Presumed Income Tax is payable by legal entities, which are imposed a 1% rate on the value of all their assets located either in Argentina or abroad. It is also applicable to assets located in Argentina and owned by foreign individuals or legal entities with a permanent establishment in the country. This tax will be eliminated in 2019. |
| **PERSONAL PROPERTY TAX** | This tax is imposed on individuals and undivided estates with respect to assets valued at over ARS 1,050,000 (USD 27,000 approx.) as of 2018. As of this year, residents are taxed 0.25% on personal property. |
| **EXCISE TAXES** | Excise taxes are levied on the consumption of specific goods, such as tobacco, alcoholic drinks, and luxury items; they are payable by manufactures or importers. |
| **FINANCIAL TRANSACTION TAXES - CREDITS AND DEBITS ON BANK ACCOUNTS AND OTHERS** | A 0.6% general tax is levied on withdrawals and credits on bank accounts transacted by entities governed by the Financial Institutions Act. Furthermore, transactions in cash are subject to a 1.2% rate if conducted through payment systems in lieu of current accounts. |
Argentina has entered into double taxation agreements with the following countries to provide relief from double taxation on businesses, personal income, capital, and assets:

- Australia
- United Kingdom
- Chile
- Denmark
- Germany
- Belgium
- France
- Italy
- Sweden
- Canada
- Bolivia
- Brazil
- Finland
- Norway
- Spain
- Switzerland
- The Netherlands
- Russia
- Mexico
## Gross Income Tax
Gross Income tax is applicable to the revenue generated by businesses engaged in trade, industrial activities, agriculture, finance, or professional services. It is levied on each commercial transaction at a rate that ranges from 1.5% to 5%, according to the industry and area. Nevertheless, certain primary and industrial activities are exempted from this tax.

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

## Real Estate Transfer Tax
Real estate owners are subject to an annual tax on their real property based on the fiscal value of the land free of any improvements and on the improvements of land, if any. The payable amount is estimated pursuant to the laws in force each fiscal year, which set forth the applicable values and rate scales according to the type of property.
Municipalities collect taxes imposed on industrial safety services, lighting and cleaning services, etc. These taxes are calculated based on public revenue or other criteria, such as the number of employees.
Tax regulations provide for incentives for certain activities such as mining, forestation, software development, renewable energies, research, biotechnology, and biofuel production.

Generally, such incentives consist in:

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

A tax-free area has been established in southern Tierra del Fuego where all the activities and transactions conducted are exempted from all national taxes, except for specific activities and transactions, which are levied a reduced rate.
Labor Law no. 20,744

Permanent employment contract

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

Special employment contracts

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

1. Fixed-term contracts
2. Seasonal employment contracts
3. Contingency employment agreement
4. Team employment contracts
TAXATION AND LABOR. LABOR REGULATIONS.

COMPENSATION (SALARIES AND WAGES)

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

The employer has the obligation to:

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

STATUTORY ANNUAL EXTRA PAY

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

MINIMUM SALARY AND WAGE

The law establishes the minimum salary and wage amount. As of July 2018, such amount is set at ARS 10,000 (USD 260 approx.) for monthly salaries and ARS 50 (USD 1.30) for hourly wages.

Given Argentina’s high inflation rates, salaries are adjusted several times a year.
ANNUAL VACATION

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

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

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

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

PAID MATERNITY LEAVE

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

Once this period elapses, women workers can choose to:

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

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

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

**SOCIAL SECURITY**

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

**COMPULSORY LIFE INSURANCE**

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

**MINIMUM WORKING AGE**

The minimum working age is 16 years old.
DISMISSAL

None of the parties can terminate the employment contract without giving prior notice. The minimum notice period is set by the law as follows:

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

EMPLOYMENT RELATIONSHIP RECORDS

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

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

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

LABOR UNIONS

Most workers are unionized. Historically, the power and influence of union was moderate, but it has increased in the last few years to such an extent that workers are also protected by collective bargaining agreements. Moreover, these workers may also opt for joining a union.
## RELEVANT LEGISLATION

| LEGAL FRAMEWORK | The Argentine Law provides for the protection of foreign investors and their projects. Argentina has entered into several bilateral investment treaties with other countries. It is a member country of the Multilateral Investment Guarantee Agency (MIGA), which provides guarantees to protect investments against non-commercial risks. |
| INVESTMENT MODEL | Foreign investors can start their businesses in three ways: setting up a foreign branch, acquiring ownership in an existing company or creating a new company. |
| CORPORATE AND BUSINESS ACT | Law No. 19,550 (amended and renamed as General Corporate and Business Law No. 26,994). Sets forth the different business forms available. The most popular business forms among foreign investors are Sociedades Anónimas (S.A.)— Corporations— and Sociedades de Responsabilidad Limitada (S.R.L.) — Limited Liability Companies or LLCs. |
| FOREIGN INVESTMENT LAW | Law No. 21,382 Sets forth the conditions for foreign investors to invest and transact business in the country. It further provides for the expansion of existing investment undertakings. |
| TRANSFER OF FUNDS | The funds received as capital contribution from foreign residents can be entered into the country or be kept abroad, there are no regulations in this respect. |
The Argentine peso was subject to a sharp devaluation in the second semester of 2018. It depreciated by 97% against the US dollar during the period Jan-Oct 2018.
CONCLUSION
CONCLUSION

Neither the auto part nor the automotive industry is immune to the current economic crisis striking Argentina, which has resulted in a decline of automobile production and a stagnation in the sales of auto parts for the past 5 years.

However, there was a surge in car sales between 2015 and 2017, which led to an increase in imports as the national production fell short and could not meet the demand. The steep devaluation in mid 2018 is bound to bring demand down by the end of the year.

Both the auto part and the automotive industries rely heavily on Brazil, the main destination of Argentine exports. The recovery of these industries is closely related to the economic recovery of Brazil.

Electric cars are still a novelty in the Argentine market and have a lot of potential. Companies investing in this area have a lot to develop, which is encouraged by the government.
USEFUL INFORMATION
### USEFUL INFORMATION

| **Association of Automotive Manufacturers (ADEFA, Spanish acronym)** | Address: Viamonte 1133 – 7th Floor – City of Buenos Aires  
Postal Code: C1053ABW  
Phone: (54-11) 4372-4002 - Web site: www.adefa.org.ar |
| --- | --- |
| **Association of Argentine Auto parts Manufacturers (AFAC)** | Address: Viamonte 1167 – 5th Floor – City of Buenos Aires  
Postal Code: C1053ABW  
Phone: (54-11) 4375-0516 – Web site: www.afac.org.ar |
| **Association of Automotive Dealerships in Argentina (ACARA)** | Address: Lima 265 – 3rd Floor – City of Buenos Aires  
Postal Code: C1073ABW  
Phone: (54-11) 4383-2020 – Web site: www.acara.org.ar |
| **Chamber of Automotive Trade (CCA)** | Address: Soler 3909 – City of Buenos Aires  
Postal Code: C1180ABW  
Phone (54-11) 4824-7272 – Web site: www.cca.org.ar |