

# Modifications to the Personal Assets Tax Law - New Regime for its Payment

June, 2024

On 6/28/24, the National Congress passed the “Law of Palliative and Relevant Fiscal Measures”, which establishes a Special Regime for the Payment of the Personal Property Tax and introduces modifications to the Personal Property Tax Law (hereinafter “PPT”).

Below are the main aspects of this law:

## 1) Special Regime for the Payment of the Personal Property Tax (“SRPPT”).

Individuals and undivided estates that are tax residents in Argentina and individuals who, as of December 31, 2023, are not considered residents for PPT purposes but were previously Argentine tax residents before that date may opt to adhere to the SRPPT. In this case, they would pay the PPT for fiscal years 2023, 2024, 2025, 2026, and 2027 in a unified manner. Non-residents who adhere to the SRPPT will be considered Argentine tax residents.

The option to adhere to the SRPPT is **individual and voluntary** and includes the PPT and any national property tax that complements or replaces this tax for the fiscal years 2024 to 2027, with a **deadline** of 07/31/2024. This period can be extended by the Executive Power until 09/30/2024.

Taxpayers who have regularized assets under the Asset Regularization Regime may adhere to the SRPPT until the deadline for filing the affidavit for that regime. If they adhere to the SRPPT, they will pay the PPT for the fiscal years 2024 to 2027 in a unified manner.

### a) Determination of the Taxable Base:

For determining the taxable base of the SRPPT, the following rules must be followed:

**Individuals and Undivided Estates:** The assets in the taxpayer's estate as of 12/31/2023 will be taken into account, using the valuation rules provided in the PPT Law, excluding shares, quotas, or participations in companies or other entities. The value of exempt assets will be deducted from the resulting amount. In the case of securities, bonds, and other financial instruments, deposits in Argentine and foreign currency in financial institutions, negotiable obligations issued in national currency, instruments issued in national currency to promote productive investment, mutual fund shares, and participation certificates, and debt securities, these will only be deducted from the taxable estate if they were in the estate as of 12/10/2023. The non-taxable minimum will be deducted from the total value of the assets, and if the taxpayer's residence is

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included, the value of the residence will also be deducted up to the limit established by the PPT Law. The resulting amount will be multiplied by 5 to determine the taxable base.

**Taxpayers who have regularized assets under the Asset Regularization Regime and opt to declare the PPT under the SRPPT:** The total value of the regularized assets in the three stages of the Asset Regularization will be taken into account. The resulting value expressed in dollars must be converted to Argentine pesos using the official exchange rate at the date of filing the respective sworn declarations of the Asset Regularization Regime. The resulting amount will be multiplied by 4.

**b) Rates:**

- **Individuals and Undivided Estates:** 0.45%
- **Taxpayers who adhered to the Asset Regularization Regime:** 0.50%

**c) Filing of the Tax Return and Payment of the Tax:**

The method and other requirements for filing the Tax Return and the payment date and calculation of the tax to be paid will be established by regulations.

Any payment made after the date set by the Executive Power will deprive the taxpayer of the benefits of the SRPPT. Additionally, taxpayers must make an initial payment of no less than 75% of the total tax according to the date, method, and requirements established by the regulations. Failure to make the initial payment will deprive the taxpayer of the benefits of the SRPPT.

If the initial payment is less than 75% of the amount owed, the taxpayer can choose between: (i) Remaining within the SRPPT by paying the pending balance increased by 100%. (ii) Renouncing the benefits of the SRPPT, with the possibility of applying the amount paid against another tax collected by AFIP.

For the payment of the tax under the SRPPT, individuals and undivided estates residents can compute tax credits, advances, and payments on account of the PPT for the fiscal year 2023.

**d) Exclusion from PPT for fiscal years 2023 to 2027:**

Taxpayers who adhere to the SRPPT will be excluded from any obligation arising from the PPT rules for the fiscal years 2023 to 2027, inclusive. They will also be excluded from paying any other national tax applied to the taxpayer's assets that may be created during these fiscal years.

**e) Fiscal Stability:**

Taxpayers who adhere to the SRPPT will enjoy fiscal stability until 2038, meaning that the tax burden regarding the PPT and any other national tax created to tax the taxpayer's assets cannot be increased.

If another similar national property tax is enacted or any modification occurs, it cannot affect the taxpayer's situation beyond the following limits: (i) the taxable base will be calculated according to the PPT rules in force at the time the SRPPT comes into effect, (ii) the maximum rate for taxpayers who did not adhere to the Asset Regularization Regime will be 0.45% for fiscal years 2023 to

2027, and for those who adhered to the regime, it will be 0.50% for fiscal years 2024 to 2027. From 01/01/2028 to 12/31/2038, the maximum rate will be 0.25%, and (iii) multiple property taxes, if more than one exists, must be taken together to ensure they do not exceed the established limit.

By adhering to the SRPPT, the law clarifies that the taxpayer has reached the maximum level of taxation on their assets permitted under the fiscal stability rules for the fiscal periods from 01/01/2024 to 12/31/2027.

If during the fiscal stability period the tax burden from one or more taxes directly on the taxpayer's assets exceeds the stipulated limit, the taxpayer has the right to reject any AFIP claim. If, despite this, the taxpayer must pay an amount above the maximum limit established under the fiscal stability rules, they have the right to credit the excess against those property taxes and/or any other national tax. This tax credit does not require prior procedures and can be directly applied by the taxpayer, considering that the right to enjoy the tax credit is part of the taxpayer's property rights.

#### **f) Donations and Other Liberalities:**

If a taxpayer who adhered to the SRPPT accepts a donation from a non-adherent taxpayer before 12/31/2027, they must pay an additional tax calculated by applying the rate determined under the SRPPT on the value of the transferred assets as of the donation date, multiplied by the number of fiscal periods remaining to complete the period covered by the SRPPT, including the fiscal period in which the donation is completed.

The tax is only applicable if the recipient is a relative within the fourth degree of consanguinity of the donor or is their spouse, ex-spouse, or cohabitant at the time of the donation.

This tax does not apply to donations consisting of shares or participations in Argentine companies or participations in trusts covered by the PPT substitution regime.

### **2) Modifications to the Personal Property Tax**

#### **a) Exclusion from the Tax:**

Assets belonging to individuals residing in the country and undivided estates located there, will not be subject to the PPT when their total value, determined according to the law, is equal to or less than AR\$100,000,000.

In the case of real estate used as the taxpayer's or decedent's residence in the case of undivided estates, it will not be subject to the tax if its value, determined according to the law, is equal to or less than AR\$350,000,000.

#### **b) Rates:**

The tax rates are modified as follows:

- **Fiscal year 2023:** between 0.5% and 1.5%
- **Fiscal year 2024:** between 0.5% and 1.25%
- **Fiscal year 2025:** between 0.5% and 1%
- **Fiscal year 2026:** between 0.5% and 0.75%

- **Fiscal year 2027:** 0.25% on the total value of assets exceeding the non-taxable minimum of the law

The amounts in the scales from fiscal year 2024 onward will be adjusted annually by the coefficient arising from the annual variation of the Consumer's Price Index. Taxpayers can credit sums effectively paid abroad for similar taxes that consider the estate or assets globally as the taxable base.

**c) Benefit to Compliant Taxpayers:**

Taxpayers who have fulfilled all their tax obligations regarding the PPT for fiscal years 2020 to 2022 will have a reduction of 0.25 percentage points in the respective rate for fiscal years 2023 to 2025.

To qualify as a compliant taxpayer, the taxpayer (i) must not have regularized assets under the Asset Regularization Regime, and (ii) if obliged, must have filed and paid the PPT returns for fiscal years 2020 to 2022 before 12/31/2023.

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