Regime of Incentives for Major Investments (RIGI). A Guide to Practical Aspects. Main incentives and benefits.

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Within the framework of the enactment of the Law on Foundations and Starting Points for the Freedom of Argentinians and the subsequent regulation of the Regime of Incentives for Major Investments (RIGI), we highlight key points to consider when initiating the process for project approval, as well as the significant benefits and incentives derived from this Regime.

I. Introduction. Purpose of RIGI.

The Regime of Incentives for Major Investments (RIGI), as its name clearly indicates, was established with the aim of encouraging private investment in large-scale projects within strategic sectors of Argentina. To this end, it includes, among other considerations, a relaxation of the foreign exchange, customs, and tax regulations.

II. Points to Consider When Applying for Admission to RIGI.

a. Sectors.

The designated sectors are:

1. Forestry and Wood Industry
2. Tourism
3. Infrastructure
4. Mining
5. Steel Industry
6. Energy
7. Oil and Gas

b. Sole Purpose.

The VPU shall have the sole and exclusive purpose of carrying out one or more phases of a single investment project admitted under the RIGI. Consequently, the VPU should not engage in activities or hold assets unrelated to the project, except for temporary investments of working capital necessary for prudent management of the company's funds.

c. Eligible Entities.

Admission to RIGI may be requested by **Single Project Vehicles (SPVs)** holding one or more phases of a project. The following entities are considered SPVs:

1. **Corporations**, including single-member corporations and limited liability companies;
2. **Branches established by companies incorporated abroad**;
3. **Dedicated branches**, which are branches of a corporation, a limited liability company, or a branch of a company incorporated abroad that wishes to adhere to RIGI and engages in one or more activities that will not form part of the investment project, or holds one (1) or more assets that will not be allocated to the said Project; and
4. **Temporary unions and other associative contracts**.

d. Minimum Amounts.

The minimum investment amounts in eligible assets by sector or subsector, net of VAT, are as follows:

Sector	Subsector	Minimum Investment Amount (USD)
Forestry and Wood Industry		200.000.000
Tourism		200.000.000
Infrastructure		200.000.000
Mining	Exploration	200.000.000
	Minerals of the 1st and 2nd categories under the National Mining Code (Excluding Potassium and Lithium)	200.000.000
	Potassium and Lithium	200.000.000
	Minerals of the 3rd category under the National Mining Code.	200.000.000
Technology		200.000.000
Steel Industry		200.000.000
Energy		200.000.000
Oil and Gas	Offshore exploration and production	600.000.000
	Gas exploration and production intended for export	600.000.000
	Transportation and storage	300.000.000
	Processing, fractionation, compression, and liquefaction	200.000.000
	Refining	200.000.000

	Petrochemicals and fertilisers	200.000.000

e. **Conditions.**

The conditions for making an investment under the RIGI in these sectors are as follows:

1. The minimum investment amount must be made within the first and second years from the date of approval of the investment plan and adherence to the regime.
2. Investments must be long-term in nature, defined as those where the ratio does not exceed 30% between the present value of the expected net cash flow, excluding investments, during the first three years from the first capital disbursement, and the net present value of the planned capital investments during the same period.
3. The national Executive Power will establish the percentage of the minimum investment amount mentioned in the previous paragraph that must be completed during the first and second years, counted from the date of notification of the administrative act approving the application for adherence and the submitted investment plan.

f. **Term.**

The deadline for applying to participate in the RIGI will be two (2) years from the date the regime comes into effect. This period may be extended by an additional one (1) year at the discretion of the Executive Power.

III. Application for Admission to RIGI.

a. **Procedure.**

1. To apply for admission to RIGI, SPVs must submit an application form; and
2. an investment plan.

b. **Timeframe for Approval of the Application.**

The Regulatory Authority will review the application and approve or reject it within a maximum of 45 days, unless clarification is required or additional information is requested by the Regulatory Authority.

c. **Rejection of the Application. New Investment Plan.**

The rejection of the application must be justified and cannot be appealed. However, the SPV has the right to submit a new investment plan for the same project.

d. **Approval of the Application.**

The application for admission and the investment plan must meet at least the following requirements to acquire the rights and benefits established under the regime:

1. Description of the project covered by the investment plan, the project location, and the relevant sector;
2. Corporate details of the SPV;
3. Establishment of a registered address for the purpose of notifications and designation of the person or representative to liaise with the regulatory authority on project matters;
4. Total investment amount of the project in eligible assets, specifying the amounts involved in the initiation, construction, operation, and closure of the project, detailing the projected investment categories and concepts, which must be equal to or greater than the minimum investment amount stipulated for the included sector;
5. Primary categories for which the investment in eligible assets will be allocated;
6. Estimated timeline for the total investment in the project;
7. Amount of investment in eligible assets to be made during the first and second years;
8. A sworn statement that the SPV will not distort the local market;
9. A proposed deadline by the SPV by which it commits to meet and fulfil the minimum investment amount;
10. Description of the source or method of financing the investment amount;
11. Direct and indirect employment, with estimated local integration;
12. Local supplier development plan;
13. Production estimate and, if applicable, estimated export amount;
14. Trade balance and cash flow forecast for the project for the first three (3) years;
15. A statement regarding the technical, economic, and financial feasibility of the investment project, providing reasonable evidence of its feasibility, including a risk matrix, mitigation plan, and a report from an independent economic-financial evaluator;
16. Independent economic and financial evaluation report related to the statement mentioned in the previous point;
17. Description of the permits and authorisations obtained by the SPV necessary for the development of the investment plan and those pending approval, in accordance with the applicable substantive law depending on the SPV's sector of activity.
18. Signature of the legal representative of the SPV.

e. <u>Criteria for Project Approval. Effects.</u>

The decision to approve or reject the application by the regulatory authority will be based on the information included in the application for admission, the investment plan, and the evaluation conducted by the regulatory authority as outlined in the current law. This decision will not be discretionary and will respect the guarantee of equality before the law for all applicants, ensuring uniformity and consistency in the criteria for approval.

The rejection of the application for admission to RIGI cannot be appealed. However, the SPV has the right to submit a new investment plan for the same project and resubmit it for consideration by the regulatory authority up to two more times within the same calendar year.

The administrative act that approves the application for admission and the investment plan will explicitly state the following:

1. **The date of admission to RIGI**, which will be backdated to the date of submission of the application for admission or the submission of the supplementary information that allowed for the approval;
2. **The amounts that must be met in each of the first two years** from the date of notification of the administrative act that approves the admission to RIGI; and
3. **The deadline for fulfilling the minimum investment amount** in eligible assets as proposed by the SPV in the approved investment plan.

The administrative act approving the investment plan for a particular project will constitute the rights arising from RIGI. Once the administrative approval has been issued, the regulatory authority will proceed to:

1. **Issue a "Certificate of Project Admission to RIGI"** as proof of admission to RIGI, serving purely declaratory purposes and accrediting the right to benefit from the incentives under RIGI.
2. **Inform the Federal Administration of Public Revenue (AFIP)**, so that within a non-extendable period of ten (10) business days, a special CUIT (Unique Tax Identification Code) is generated for the SPV for RIGI purposes, with the suffix "RIGI" added to the end of the number; and
3. **Inform the competent authority on foreign exchange matters** (Central Bank of the Argentine Republic—or its successor) so that the SPV can benefit from the foreign exchange incentives provided for herein.

f. Rights and Obligations for the SPV.

Admission to RIGI will imply the following for the SPV:

1. From the date of admission to RIGI, **the acquisition of the rights provided for under RIGI** exclusively concerning the project covered by the investment plan proposed by the SPV and approved by the regulatory authority;
2. From the notification to the SPV of the administrative act approving the application for admission, which includes the investment plan, **the assumption of irrevocable obligations to remain within the regime**.

IV. Tax Incentives.

a. Corporate Income Tax.

1. **Rate Reduction**: 25% on profits.
2. **Depreciation of Investment**: The SPV may choose to apply specific depreciation schedules for certain fiscal periods, following a tailored depreciation plan, providing flexibility in financial planning.

3. **Tax Loss Carryforwards**: There is no expiration for absorbing losses with profits in subsequent periods. If not absorbed within 5 years, they may be transferred to third parties. Their value is adjustable according to the Consumer Price Index (CPI).
4. **Dividends and Profits**: The net profit derived from dividends and profits from SPVs admitted to the regime will be taxed at a rate of 7%.

b. Value Added Tax (VAT).

The VAT charged or applicable to the holder of an SPV for the purchase, definitive importation of goods, execution of works, or provision of services can be settled using a tax credit certificate, without the need for prior authorisation from the Federal Administration of Public Revenue (AFIP).

V. Customs Incentives.

Imports of new capital goods, spare parts, components, and consumables, as well as temporary imports made by SPVs adhering to RIGI, will be exempt from import duties, statistical and destination verification fees, and all national and/or local tax collection, advance payment, or withholding regimes.

VI. Foreign Exchange Incentives.

SPVs will not be required to repatriate and/or convert into local currency the foreign currency or any other countervalue associated with various categories or concepts (such as capital contributions, loans, or services) linked to the project covered by the approved investment plan, retaining free disposal of these funds.
Foreign currency exempted from the obligation to repatriate and convert under the aforementioned terms will be freely available to the SPVs.

a. Projects Admitted to RIGI.

Proceeds from exports of products from a RIGI-Admitted Project by SPVs are exempt from the obligation to repatriate and/or convert and liquidate into local currency in the following percentages:

1. Twenty per cent (20%) after two (2) years from the start-up date of the SPV;
2. Forty per cent (40%) after three (3) years from the start-up date of the SPV;
3. One hundred per cent (100%) after four (4) years from the start-up date of the SPV.

These funds in the specified percentages will be freely available.
SPVs will not be required to repatriate and/or convert into local currency the foreign currency or any other countervalue associated with various categories or concepts (such as capital contributions, loans, or services) linked to the project covered by the approved investment plan, retaining free disposal of these funds.
Foreign currency exempted from the obligation to repatriate and convert under the aforementioned terms will be freely available to the SPVs.

b. Strategic Long-Term Export Project.

For proceeds from exports made by SPVs holding Projects declared as Strategic Long-Term Export Projects, the timeframes indicated in the preceding sections for exemption from the obligation to repatriate and/or convert and liquidate into local currency will be computed as follows:

1. Twenty per cent (20%) after one (1) year from the start-up date of the SPV;
2. Forty per cent (40%) after two (2) years from the start-up date of the SPV;
3. One hundred per cent (100%) after three (3) years from the start-up date of the SPV.

c. Free Disposal of Foreign Currency by SPVs.

Foreign currency derived from local or external financing obtained by SPVs adhering to RIGI, disbursed after the entry into force of this law, will not be subject to restrictions on its free disposal either abroad or in the country. These funds will be freely available to the SPV and/or the Admitted Project, and their amounts may be used freely for any purpose.
No restrictions on holding external liquid or non-liquid assets, imposed by foreign exchange regulations, will apply to SPVs adhering to RIGI.

d. Exclusion from Foreign Exchange Restrictions for SPVs.

The exchange rate regulations that establish, or may establish in the future, restrictions or prior authorisations for access to the foreign exchange market for the payment of profits, dividends, or interest to non-residents will not apply to the Project Vehicles (VPU). This exemption applies provided that such profits, dividends, or interest have been generated from capital contributions or other direct investments, or from loans or other financial borrowings from abroad, that have been entered into and settled in the foreign exchange market by the VPU from the date of notification of the administrative act approving the adhesion to the RIGI.

e. Guarantees Provided by the National State.

The national government guarantees to SPVs adhering to RIGI:

1. **Full disposal of the products resulting from the project**, without the obligation to sell them in the domestic market. The export of products from such a project will not be subject to any export restrictions or barriers;
2. **Full disposal of their assets and investments**, which will not be subject to confiscatory or expropriatory actions, whether de facto or de jure, by any Argentine authority. The State will provide the SPV with all necessary assistance to repel confiscatory or expropriatory actions, whether de facto or de jure, from any national, local, or foreign authority;
3. **The right to continuous operation of the project without interruptions** unless there is a court order, and the SPV has had the opportunity to exercise its right of defence in advance, acknowledging that the viability and continuous operation of the project throughout its useful life is essential;

4. **The right to pay profits, dividends, and interest through unrestricted access to the foreign exchange market without any restrictions** and without the need for prior approval from the Central Bank of the Argentine Republic, provided that the investment has entered through the single free foreign exchange market;
5. **Unrestricted access to justice and other legal remedies available** for the defence and protection of their rights related to the project covered by the approved investment plan.

VII. <u>Duration of Regulatory, Tax, Customs, and Exchange Stability.</u>
The regulatory, tax, customs, and exchange rate stability afforded to the Project Vehicles (VPU) adhering to the RIGI, with respect to their projects, will be effective for a period of thirty (30) years from the date of the VPU's adhesion to the regime.

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