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Argentina–Mining Investments

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Mining in Argentina has experienced substantial growth over the last two decades, in the number of projects, the amount of money invested, the volume of exports and the figure of direct and indirect employees.

Metallic mining has been focused close to the mountainous region of the Andes, to the west of Argentina, along the border with Chile.

Even following the economic downturn of the 2001 Argentine financial crisis, the mining sector continued to expand. In spite of certain regulations attempting to limit mining activities, it is expected that the many advantages that the mining industry brings about to local economies will lead to the loosening of these restrictions.

Various large projects have begun operations, including:

- Bajo la Alumbra (Xstrata, Goldcorp and Yamana);
- Salar del Hombre Muerto (FMC Corporation);
- Cerro Vanguardia (AngloGold Ashanti);
- Veladero (Barrick);
- Pirquitas (Silver Standard);
- Gualcamayo (Yamana);
- Manantial Espejo (Pan American Silver);
- Martha (Coeur);
- San José (Hochschild and Minera Andes);
- Sierra Grande (MCC).

Additionally, the future seems bright since there are numerous other projects that are currently under way:

- Pascua-Lama (Barrick);
- Casposo (Troy);
- Agua Rica (Yamana);
- Potasio Río Colorado (Vale);
- San Jorge (Coeur);
- El Pachón (Xstrata);
- Los Azules (Minera Andes);
- Cerro Negro (Andean);
- Navidad (Aquiline).

An unofficial estimate for the aggregate investment in these projects is US\$15 billion.

Mining Taxes, International Tax Planning and Customs

Incentives and Benefits for the Mining Industry

There are several regulations in Argentina that grant incentives and benefits to the mining sector. The Mining Investment Act is the principal source of such benefits. Registration with the National Mining Investment Registry is required to access the benefits. The authority has established minimum requirements to be registered.

30-year tax and foreign exchange stability

1. Fiscal stability

For 30 years from the date of filing the feasibility study, new projects and expansions of existing ones will benefit from maintenance of its total tax burden, including a very extensive scope of issues (creation of new taxes, rate increases, abrogation of exemptions or deductions, etc). This benefit relates to federal taxes, provincial and local taxes. All provinces with substantial mining activity have adhered to this regime.

Enforcement authorities shall issue a certificate with all applicable taxes and their rates valid as of the date of filing of the feasibility study, which it shall send to the relevant fiscal authorities.

2. Income tax benefits

Registered investors are awarded the following benefits:

- Twice the deduction for costs related to prospecting, exploration, special studies, and other ancillary activities. The deduction is made in the general income tax calculation, and then again as an expense or amortization.
- Accelerated amortization: 60% of investment during the first fiscal year after operations begin, and 20% the two subsequent years.
- Special environmental allowance: deduction of up to 5% of operative costs.
- Exemption on income (capital gains) for contribution of mining rights to a company in exchange of shares.
- Exemption on 50% of capitalization of certified mineral reserves.

3. Value Added Tax (VAT) benefits

Anticipated reimbursement of fiscal VAT credit on imports or purchases of goods and services for prospecting, exploration and other related activities.

4. Import benefits

Companies registered in the National Mining Investment Law Registry are fully exempted from import duties, and all other rights, special taxes, and statistics fee.

5. Tax on Minimum Presumptive Income

A full exemption applies to companies registered in the National Mining Investment Law Registry.

6. Tax on gross income

Mining activities are usually taxed at the lower rate of 1%.

7. Royalty taxes

Adhering to the regime created by the Mining Investment Law, all provinces with substantial mining activity have accepted a 3% cap to mine-head value of the mineral extracted.

8. Stamp Tax

Various provinces have created exemptions from the payment of stamp tax for mining-related agreements.

9. Foreign exchange stability

Registered mining companies are exempted from:

- The obligation to bring into Argentina proceeds from exports of mining products, among other benefits from foreign exchange controls.
- The filing of certain documentation to receive tax reimbursements.
- The restrictions on disposability of foreign loans for export-oriented mining projects.

10. Canon payment

Mining companies are exempted for 3 years from the payment of canon (surface rights) upon registration of the mine.

General Argentine Tax Regime

A. Federal Taxes

1. Income tax

Argentine entities, either local companies or subsidiaries and branches of foreign companies are subject to federal income tax at 35% applied on net income. Payment of dividends to shareholders is not subject to income tax withholding, except when dividends distributed exceed 35% of the levied net income. In such case, withholding is 35% over the excess. Tax losses may be carried forward for a five-year term.

Argentina has thin capitalization rules. They do not apply in all cases, including, among others, to loans granted by non-financial foreign companies to their subsidiaries.

Treaties for the avoidance of double taxation are in force with Canada, Australia, Great Britain, Sweden, Bolivia, Germany, Brazil, France, Austria, Chile, Italy, Spain, Finland, Denmark, Belgium, Netherlands, Norway and Russia.

2. VAT

VAT is applied at 21% on the sale and import of goods and the rendering of services. Limited cases have higher (27%) or lower (10.5%) rates. Exports are exempted from VAT.

The difference between VAT credits and debits must be paid to the Argentine Tax Bureau monthly. VAT credits may be carried forward without time limit.

3. Tax on Minimum Presumptive Income

This tax levies at 1% assets owned by local companies, subsidiaries and foreign companies' branches. This tax may be compensated with income tax.

As discussed above, full exemption applies to companies registered in the National Mining Investment Law Registry.

4. Tax on Shareholding, Quota Holding or Interest-Holding

Local companies must pay a 0.5% annually on the value of shares, quotas or interest held by foreign entities, valued at their proportional net worth value as at 31st December of the corresponding fiscal year.

The Argentine company paying this tax is entitled to recoup the amount paid from the foreign entities.

5. Tax on banking credits and debits

A federal tax is levied on each banking credit and debit at 0.6% per transaction.

6. Import Duties

As discussed above, companies registered in the National Mining Investment Law Registry are fully exempted from import duties, and all other rights, special taxes, and statistics fee.

7. Export Duties and Reimbursements

Depending on the degree of industrialization of the ore, these duties range from 5 to 10%. There is a reimbursement on exports made through the ports of southern Argentina, which currently ranges from 1 to 3%, and which will be gradually reduced.

B. Provincial Taxes

1. Tax on gross income

This tax is applied on the gross income of entities that carry out economic activities within the territory of a province, at a rate from 1 to 4% depending on the activity and the province. As discussed above, mining activities are usually taxed at the lower rate of 1%.

2. Royalty taxes

Adhering to the regime created by the Mining Investment Law, all provinces with substantial mining activity have accepted a 3% cap to mine-head value of the mineral extracted.

3. Stamp Tax

Stamp tax levies documents for agreements either executed within the territory of a province or which produce effects in it. The tax rates vary depending on the sort of agreement and the province, but 1% is a general rate on the economic value of such instruments.

As discussed above, various Argentine provinces have repealed this tax for mining activities.