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Argentina

Trade Policy Monitoring

Argentine Government Institutes Exports Taxes 2002

Approved by:

Philip A. Shull

U.S. Embassy

Prepared by:

David Mergen

Report Highlights:

Argentina implements export taxes of 10 percent for primary products (wheat, corn, fruits, etc.) and 5 percent for processed agricultural products (wheat flour, pasta, meat, soybean oil, soybean meal, etc). Argentina eliminated the "convergence factor" that provided for a surcharge on imports and special export payments, and modified other tax policies affecting agriculture.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Buenos Aires [AR1], AR

Export Taxes

The Argentine Economy Minister announced on March 4 that the government is placing a 10 percent tax on primary product exports and 5 percent tax on processed agricultural and industrial products. The implementing regulations were published on March 5 in regulation M.E. No. 11/2002 and the tax is effective immediately.

The implementing regulation provides that all products in the attached table (Table 1) will be charged an export tax of 10 percent. This list mainly consists of unprocessed agricultural and non-agricultural products (such as apples, corn, wheat and soybeans). All other products, mainly processed agricultural products (such as wheat flour, pasta, meat, soybean oil and meal) and industrial products, pay an export tax of 5 percent. Petroleum products are treated separately. The export taxes are on top of any existing taxes (such as the 3.5 percent export tax for soybeans and sunflower) and take effect upon publication of the regulation on March 5.

Export taxes were a major source of financing for the Argentine government prior to the abolition of most export taxes in 1991. While very unpopular in the agricultural sector, the new taxes are not so large as to offset the financial gains from the devaluation for export oriented products. Even with the export tax, returns per hectare for the major field crops are at least US\$ 50 per hectare higher than before the devaluation.

Agricultural Credits

The government also decided that dollar debts for purchases of agricultural inputs (estimated to be as high as US\$ 3 billion) will not be converted into pesos at a one-to-one rate as previously announced. The new regulation was published on March 5 in Resolution 10/2002. The regulation does not affect the decision to convert dollar debts to banks into pesos at a one-to-one rate.

Under Resolution 10/2002, dollar debts for the purchase of seed, fertilizer and agro-chemicals will be repaid at the free market exchange rate (around two-to-one at the time of the announcement) for all export oriented commodities. This decision avoids major losses for agricultural input suppliers (seeds, fertilizer and agro-chemicals), but has not been well received by farm groups, which have filed in court to have the decision overturned.

Input suppliers have been a major source of short term credit for the agricultural sector. Prior to this announcement, input suppliers appeared likely to suffer large losses on the credit they gave out this year and had stopped supplying new credit. This decision is likely to make credit more available to purchase inputs for future production.

Convergence Factor Eliminated

The Argentine Government eliminated the "convergence factor" that was implemented in June 2001

(see report AR1040, dated 6/20/2001) to provide a surcharge on imports and an equivalent payment on all exports. Before its elimination, the convergence factor was approximately 6 percent. The convergence factor was implemented to encourage exports and discourage imports in lieu of devaluing the Argentine peso and varied daily based on the US dollar to Euro exchange rate. The convergence factor was discontinued after the devaluation in early January (Decree No. 191/2002 published on 1/29/2002).

Reintegro Tax Reimbursements Cut in Half

In a related move, the Argentine Government cut in half all export "reintegros". The reintegros are export payments that in theory reimburse exporters for indirect taxes paid on the exported products, although in practice it is very hard to identify the taxes actually being reimbursed. The payments previously ranged between 0 and 12 percent, with the highest payments for industrial products. The reintegros were reduced by 50 percent in Resolution ME No. 56/2002 dated Feb. 8, 2002. It is not clear if these payments will continue in the future, however, since we have received reports that the payments have been temporarily suspended due to the budgetary crisis currently facing the government.

Value Added Taxes

The Argentine Government also announced that it will be reducing the value added tax on agricultural products from 21 to 10.5 percent in order to reduce tax evasion. The value added tax will continue to be reimbursed for all exports.

Delays in paying the export reimbursements and the exchange rate used to make the payments have been a major source of friction between agricultural exporters and the Argentine Government. The Government agreed to repay outstanding reimbursement claims (which are as high as US\$ 800 million) at the current exchange rate in Decree 261/2002 dated Feb. 8, 2002, with the payments made over an extended period of time but there continue to be doubts about whether the Government will have the funds necessary to meet this commitment.

Table 1. Products Subject to 10 Percent Export Tax, Listed by HS Code
(Argentine regulation M.E. No. 11/2002 published on Mar. 5, 2002)

<u>Live Animals</u>		03022100		03037700
	01051900		03032100	
01011100		03022200		03037800
	01059200		03032200	
01011900		03022300		03037910
	01059300		03032900	
01012000		03022900		03037920
	01059900		03033100	
01021010		03023100		03037990
	01060010		03033200	
01021090		03023200		03038000
	01060090		03033300	
01029011		03023300		03061100
	<u>Fish, Seafood</u>		03033900	
01029019		03023900		03061200
	03011000		03034100	
01029090		03024000		03061300
	03019110		03034200	
01031000		03025000		03061400
	03019190		03034300	
01039100		03026100		03061900
	03019210		03034900	
01039200		03026200		03062100
	03019290		03035000	
01041011		03026300		03062200
	03019310		03036000	
01041019		03026400		03062300
	03019390		03037100	
01041090		03026500		03062400
	03019910		03037200	
01042010		03026600		03062900
	03019990		03037300	
01042090		03026910		03071000
	03021100		03037400	
01051110		03026990		03072100
	03021200		03037500	
01051190		03027000		03072900
	03021900		03037600	
01051200		03031000		03073100

03073900	06022000	07031021	07093000	07132010
03074100	06023000	07031029	07094000	07132090
03074911	06024000	07032010	07095100	07133110
03074919	06029010	07032090	07095200	07133190
03074920	06029021	07039010	07096000	07133210
03075100	06029029	07039090	07097000	07133290
03075910	06029081	07041000	07099000	07133311
03075920	06029082	07042000	07111000	07133319
03076000	06029083		07112010	07133321
03079100	06029089	07049000		07133329
03079900	06029090	07051100	07112020	
04090000	06031000	07051900	07112090	07133391
	06039000	07052100	07113010	07133399
<u>Other Animal Products</u>	06041000	07052900	07113090	07133910
05051000	06049100	07061000	07114000	07133990
05059000	06049900	07069000	07119000	07134010
05080000	<u>Vegetables</u>	07070000	07122000	07134090
05090000	07011000	07081000	07123000	07135010
<u>Live Plants</u>	07019000	07082000	07129010	07135090
06011000	07020000	07089000	07129090	07139010
06012000	07031011	07091000	07131010	07139090
06021000	07031019	07092000	07131090	07141000

07142000	08042010		10030098	10082090
		08101000		
07149000	08042020		10030099	10083010
		08102000		
<u>Fruits</u>	08043000		10040010	10083090
		08103000		
08011110	08044000		10040090	10089010
		08104000		
08011190	08045000		10051000	10089090
		08105000		
08011900	08051000		10059010	<u>Oilseeds</u>
		08109000		
08012100	08052000		10059090	12010010
		08121000		
08012200	08053000		10061010	12010090
		08122000		
08013100	08054000		10061091	12021000
		08129000		
08013200	08059000		10061092	12022010
		<u>Tea, Mate</u>		
08021100	08061000		10062010	12022090
		09011110		
08021200	08071100		10062020	12030000
		09011190		
08022100			10063011	12040010
	08071900	09011200		
08022200		<u>Grains</u>	10063019	12040090
	08072000			
08023100		10011010	10063021	12050010
	08081000			
08023200		10011090	10063029	12050090
	08082010			
08024000		10019010	10064000	12060010
	08082020			
08025000		10019090	10070010	12060090
	08091000			
08029000		10020010	10070090	12071010
	08092000			
08030000		10020090	10081010	12071090
	08093010			
08041010		10030010	10081090	12072010
	08093020			
08041020		10030091	10082010	12072090
	08094000			

12073010		12149000	13023219	24011040
	12092600			
12073090		<u>Resins/ Extracts</u>	13023220	24011090
	12092900			
12074010			13023910	24012010
	12093000	13011000		
12074090			13023990	24012020
	12099100	13012000		
12075010			<u>Other Veg.</u>	24012030
	12099900	13019000		
12075090			14011000	24012040
	12101000	13021100		
12076010			14012000	24012090
	12102010	13021110		
12076090			14019000	24013000
	12102020	13021190		
12079110			14021000	<u>Minerals</u>
	12111000	13021200		
12079190			14029000	25010011
	12112000	13021300		
12079210			14031000	25010019
	12119010	13021400		
12079290			14039000	25010020
	12119020	13021910		
12079910			14041000	25010090
	12119030	13021920		
12079990			14042010	25020000
	12119090	13021930		
12081000			14042090	25030010
	12121000	13021940		
12089000			14049000	25030090
12091100	12122000	13021950		
	12123000		<u>Raw Coco</u>	25041000
12091900		13021960		
	12129100	13021990	18010000	25049000
12092100				
	12129200	13022010	<u>Tobacco</u>	25051000
12092200				
	12129900	13022090	24011010	25059000
12092300				
	12130000	13023100	24011020	25061000
12092400				
	12141000	13023211	24011030	25062100
12092500				

25062900	25140000	25201011	25301010	26080090
25070010	25151100	25201019	25301090	26090000
25070090	25151210	25201020	25302000	26100010
25081000	25151220	25202010	25304000	26100090
25082000	25152000	25202090	25309010	26110000
25083000	25161100	25210000	25309020	26121000
25084010	25161200	25240010	25309030	26122000
25084090	25162100	25240020	25309040	26131010
25085000	25162200	25240090	25309090	26131090
25086000	25169000	25251000	26011100	26139010
25087000	25171000	25252000	26011200	26139090
25090000	25172000	25253000	26020010	26140010
25101010	25173000	25261000	26020090	26140090
25101090	25174100	25262000	26030010	26151010
25102010	25174900	25270000	26030090	26151020
25102090	25181000	25281000	26040000	26151090
25111000	25182000	25289000	26050000	26159000
25112000	25183000	25291000	26060011	26161000
25120000	25191000	25292100	26060012	26169000
25131100	25199010	25292200	26060090	26171000
25131900		25293000	26070000	26179000
25132000	25199090		26080010	31010000

		44039100	51011900	
	44012100			53031090
		44039200	<u>Cotton</u>	
40011000	44012200			53041000
		44039900	52010010	
40012100	44013000			53051100
		45011000	52010020	
40012200	44020000			53052100
		45019000	52010090	
40012910	44031000			53059110
		50010000	53011000	
40012920	44032000			53059190
		<u>Raw Wool</u>	53021000	
40012990	44034100			
		51011110	53031011	
40013000	44034900			
		51011190	53031012	
44011000				

Note: Under the Harmonized System (HS), all tariff codes are the same internationally at the 6-digit level. All agricultural products that are not listed above are subject to a 5 percent export tax.