

# Argentina: An opportunity for mining business

## The new investment framework

May 2018



Subsecretaría de Desarrollo Minero  
Ministerio de Energía y Minería  
Presidencia de la Nación

**Dirección de Economía Minera**  
Dirección Nacional de Promoción Minera

# LEGAL AND INSTITUTIONAL FRAMEWORK

- Argentina is a **Federal** country formed by 23 provinces:

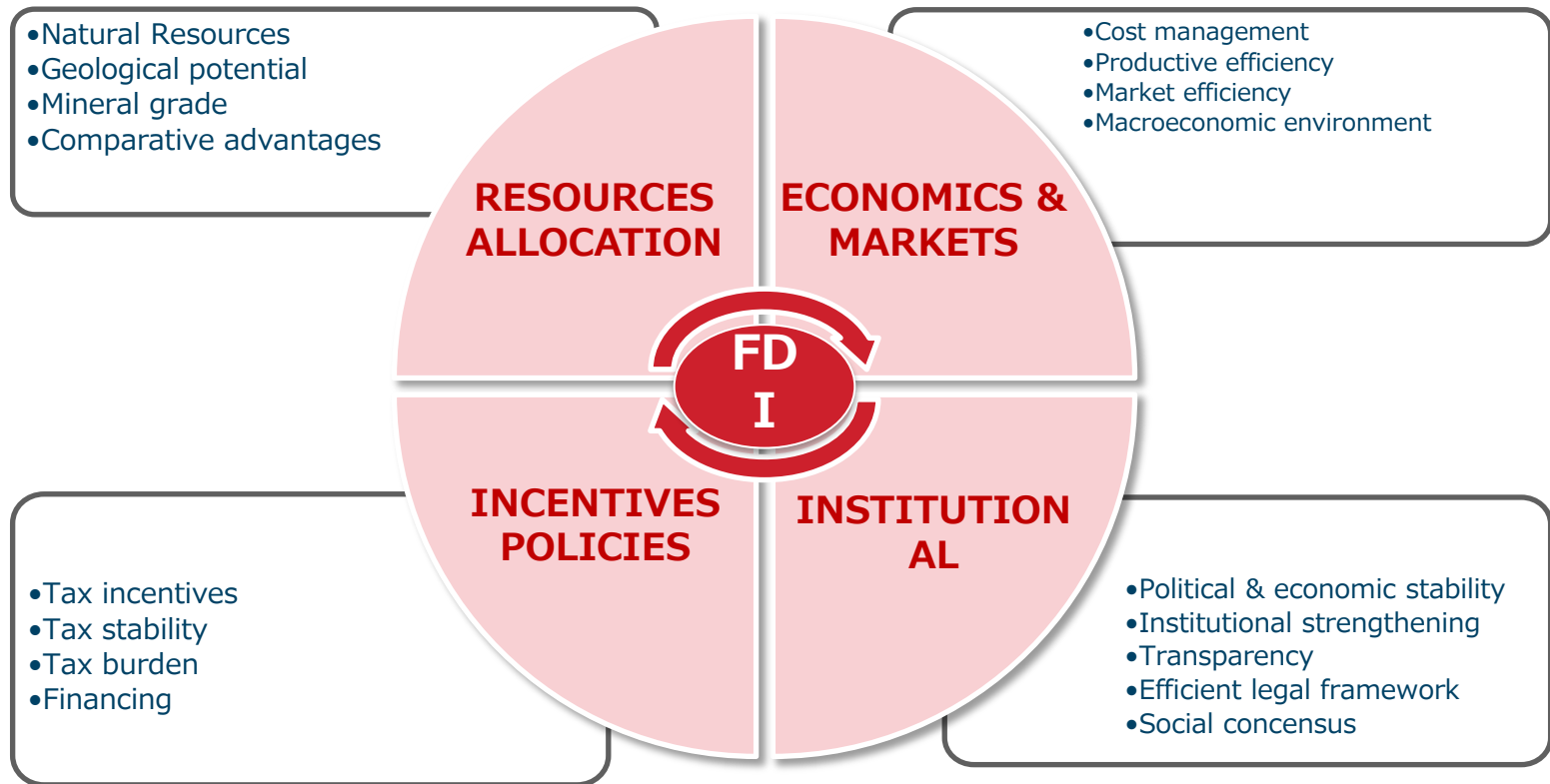
## At a **National level:**

- Dictate the Mining Code.
- Establish civil, commercial, tax, environmental and labor laws nationwide.
- Grant tax and fiscal stability to mining projects.

## At a **Province level:**

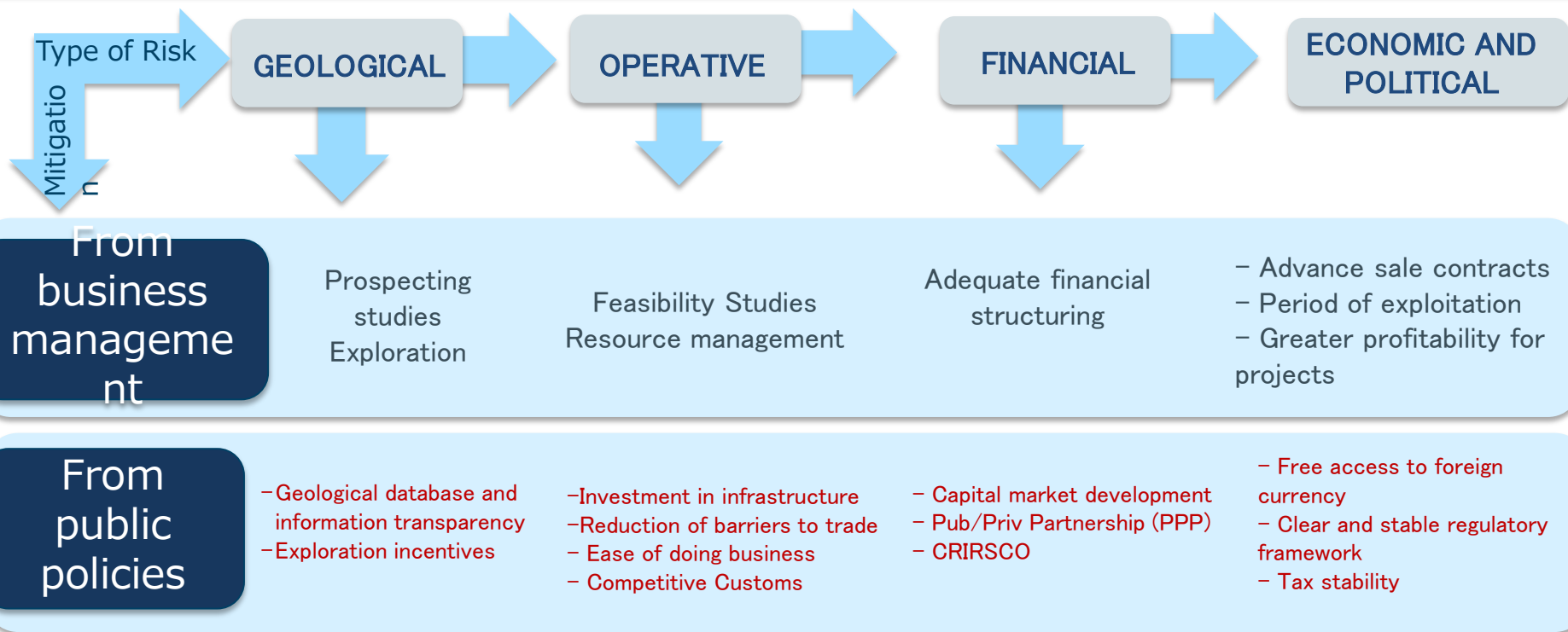
- Grant mining rights requested by individuals (exploration and exploitation),
  - Grant permits and monitor compliance.
- For important minerals such as: gold, silver, copper, lithium, iron, zinc, uranium, among others, **mines belong to the discoverer**, or who buys them.
  - Property rights: granted **to perpetuity**, as long as there is mineral to be extracted. To keep the current concession, **an anual fee** must be paid, and the **committed investment plan** must be executed. This is submitted to the granting authority at the time of submitting the request, either to explore the territory or to operate a mine.

# WHAT ARE THE INFLUENTIAL FACTORS IN THE RADICATION OF DIRECT FOREIGN INVESTMENT (FDI) IN MINING PROJECTS?



Key factor for the reception of the foreing investment  
**THE GEOLOGICAL POTENTIAL AND THE INVESTMENT CLIMATE.**

# MINING, A RISK ACTIVITY. HOW COULD PUBLIC POLICIES CAN MITIGATE IT?



Investment decisions involve a long period of maturity and a high risk

**Stability**

- Macroeconomic
- Institutional, political and legal
- Tax

**Competitiveness**

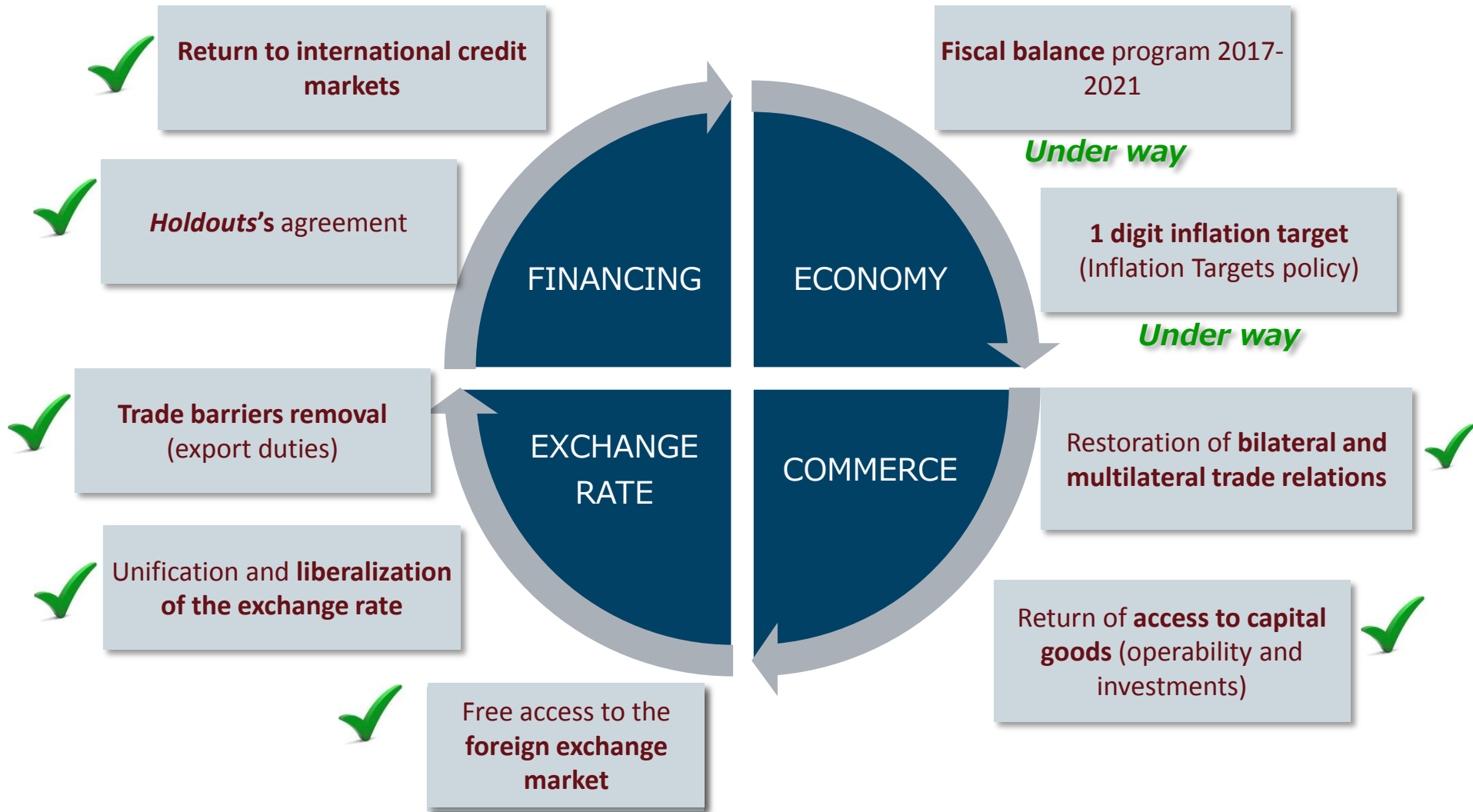
- Infrastructure
- Free competition
- Access to trade and technology

**Trust**

- Institutional Framework
- Protection of private property
- Transparency



# ARGENTINA IS IN THE PATH OF NORMALIZING ITS MACROECONOMIC VARIABLES

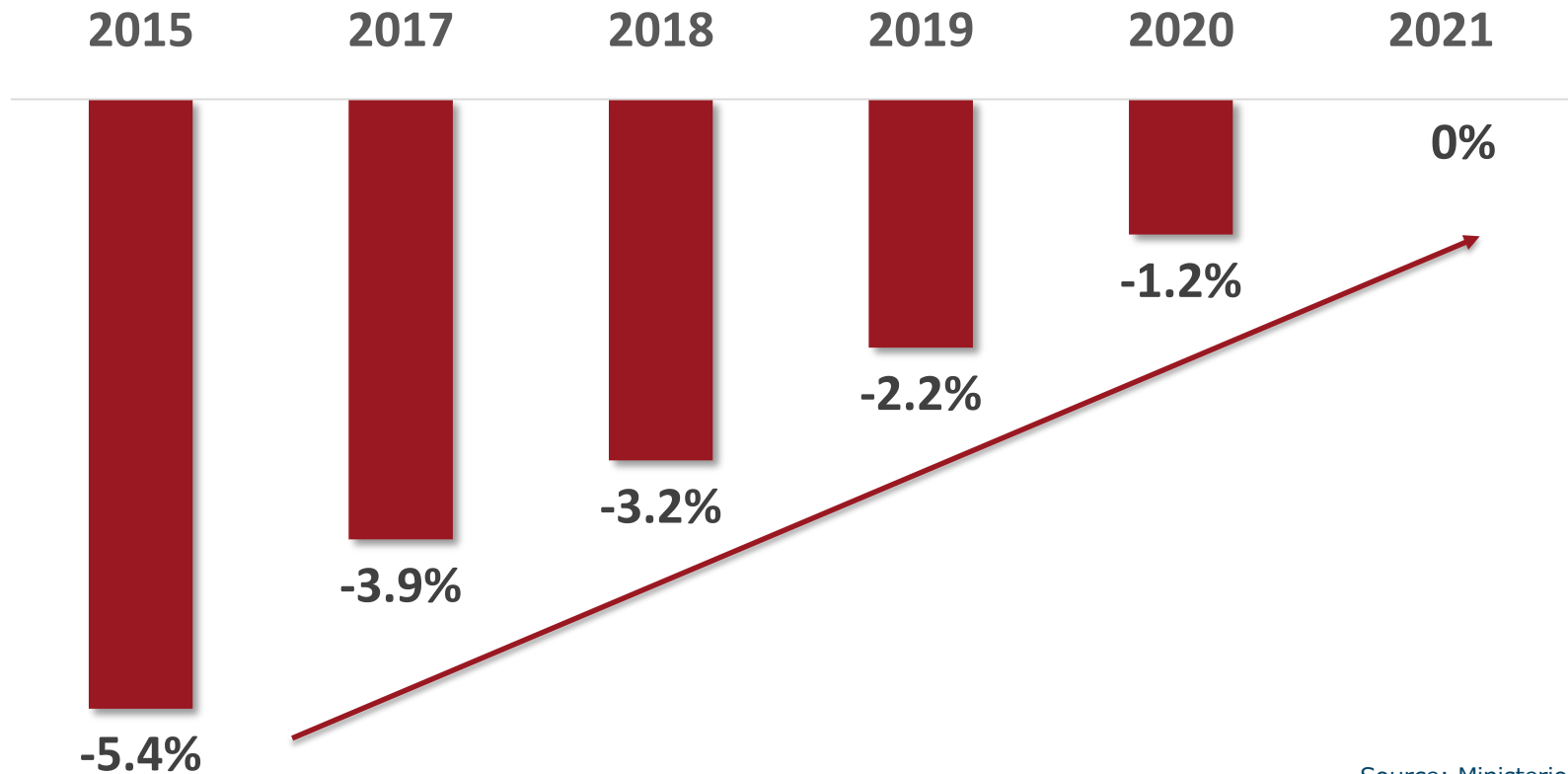


# ARGENTINA IS IN THE PATH OF NORMALIZING ITS MACROECONOMICS VARIABLES – REDUCTION OF FISCAL RED

The primary deficit is being reduced converging to the fiscal balance



Primary Result (% GDP)

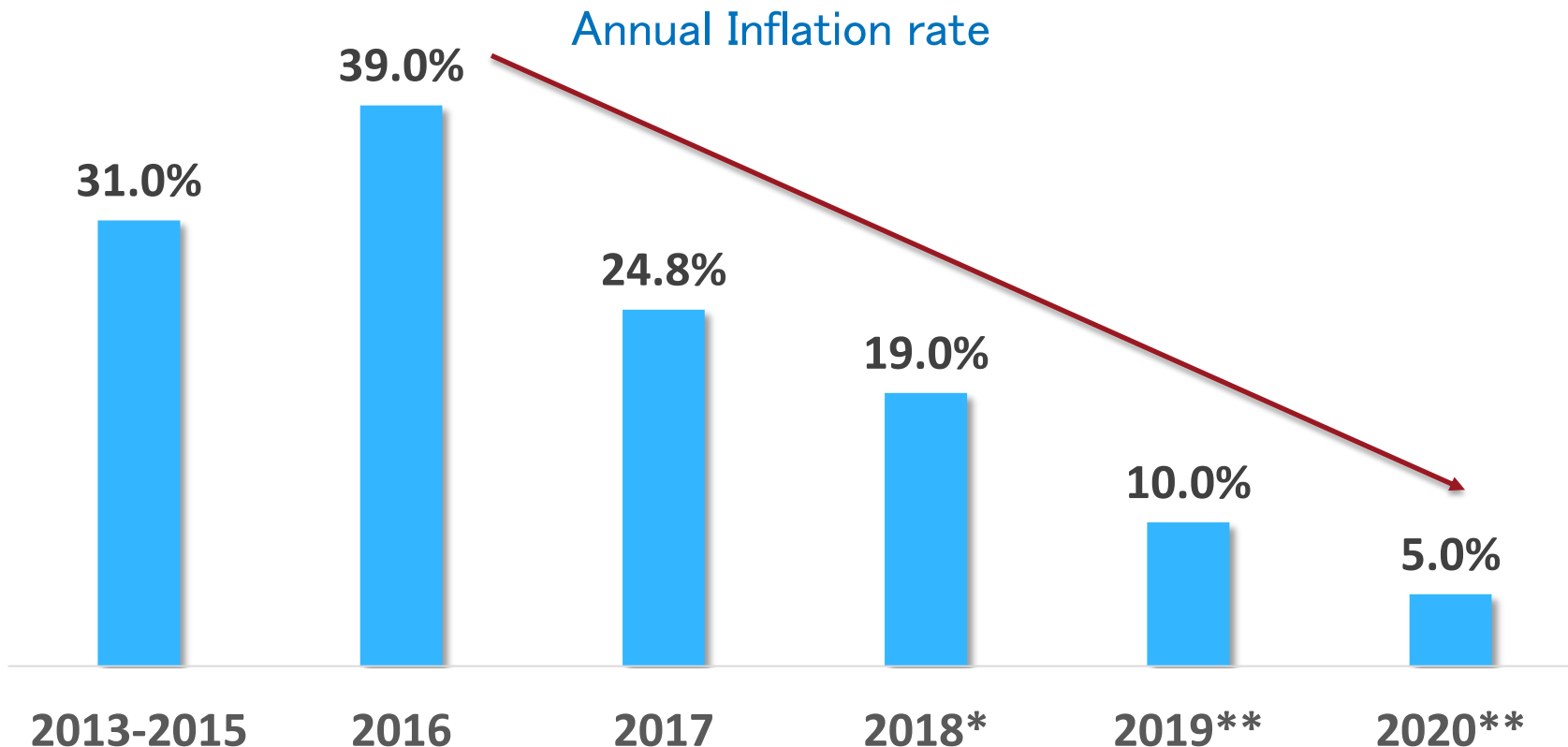


Source: Ministerio de Hacienda



# ARGENTINA IS IN THE PATH OF NORMALIZING ITS MACROECONOMICS VARIABLES – INFLATION TARGET PROGRAM

Inflation will continue to fall with a 'one digit' goal in 2020



\* Projected by the IMF

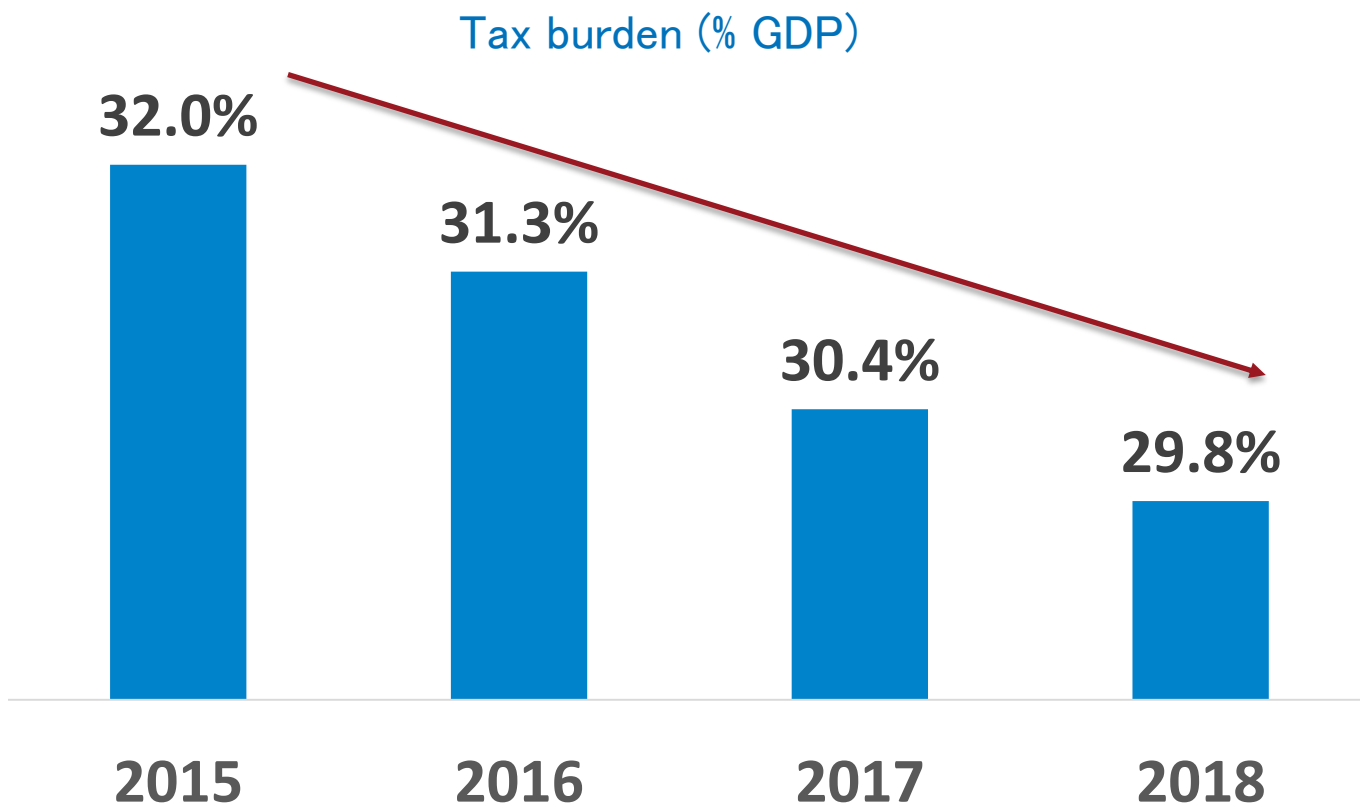
\*\* Projected by the Ministerio de Hacienda

Source: Ministerio de Hacienda



# ARGENTINA IS IN THE PATH OF NORMALIZING ITS MACROECONOMICS VARIABLES – TAX BURDEN

Argentina seeks to lower the tax burden



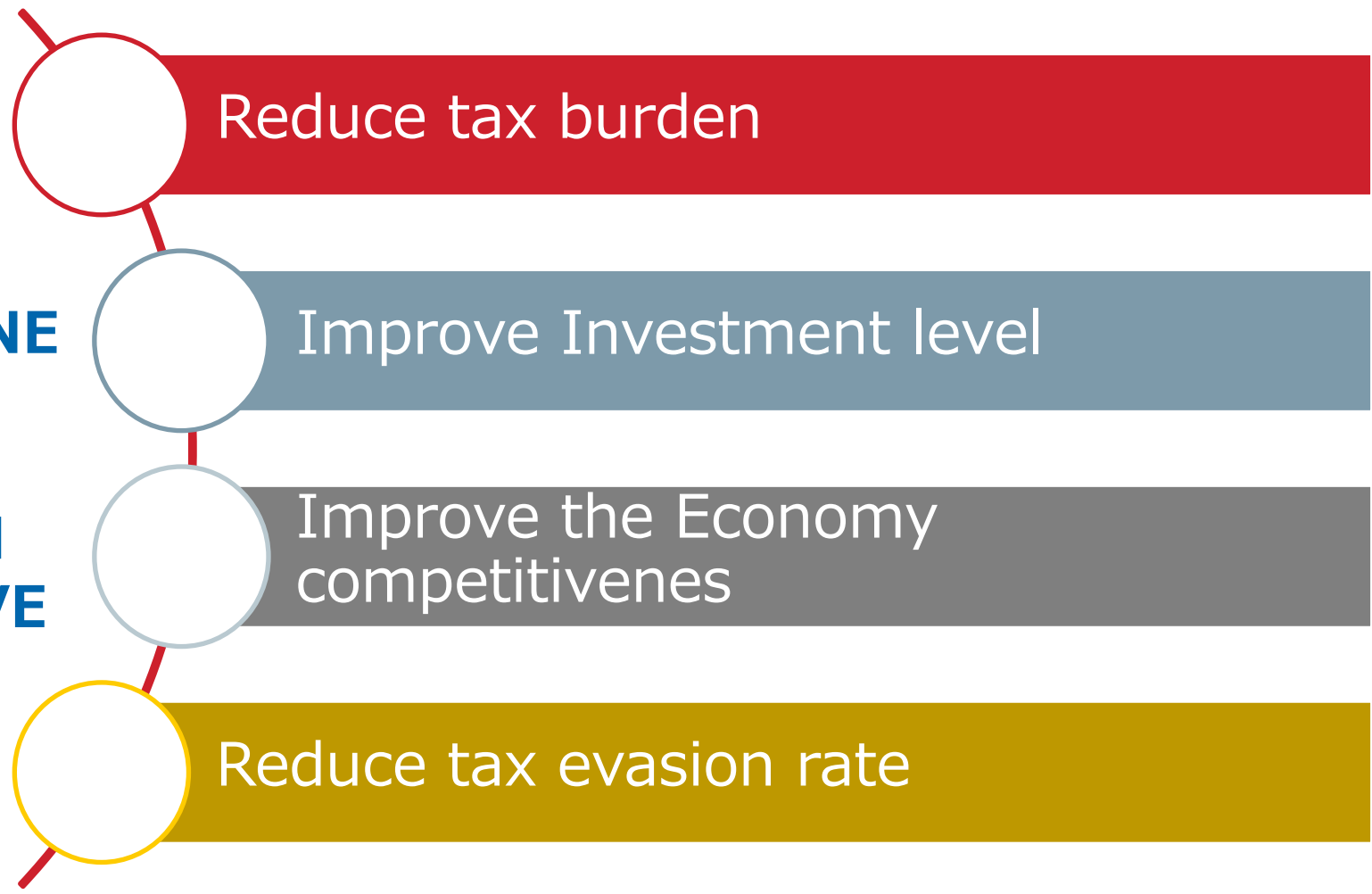
Source: Ministerio de Hacienda





# ARGENTINA IS IN THE PATH OF NORMALIZING ITS MACROECONOMICS VARIABLES – NATIONAL TAX REFORM

## ARGENTINE TAX SYSTEM REFORM OBJECTIVE S



# PROMOTIONAL INCENTIVES THAT CONSIDER PARTICULARITIES OF MINING ACTIVITY

## Competitiveness (until December 2015)

- Fiscal and tax stability guaranteed for 30 years (from presentation of definitive feasibility study).
- VAT refund on exploration.
- Double deduction of exploration expenses.
- Accelerated amortization of capital investments.

## Competitiveness (since January 2016)

- Elimination of export duties. Since 2016= 0%
- Unified currency exchange rate. Expedited currency accreditation.
- Access to imports of mining equipments and parts.
- Free currency flow, without legal banking reserves.
- VAT refund for mineral export in a timely manner.
- Free transfer of profits abroad.
- Availability of loans in the local market.

# TAX REFORMS TO ENCOURAGE INVESTMENT IN ARGENTINA

## Value Added Tax. Return of favourable Balance VAT over construction

Competitiveness

- Tax credits originated in the purchase, construction, manufacture or importation of fixed assets:
  - VAT refund after 6 months
    - For goods destined to these activities
    - The term is computed from the investment

2018

## Income Tax. Main modifications year 2018

- Reducción de Alícuota a las empresas en forma progresiva
- Reduction of income tax rates to companies progressively

Competitiveness

Year	Income tax corporate rate	Tax on dividends
Earnings up to 2017	35%	0%
From 01.01.2018 and until 31.12.2019	30%	7%
From 01.01.2020 onwards	25%	13 %



# ARGENTINA HAS IMPROVED ITS COMPETITIVENESS BETWEEN 2015 AND 2017

In the Global Competitiveness ranking prepared by the World Economic Forum, Argentina is ranked 92 of 137 countries in 2017, moving 14 places forward since 2015



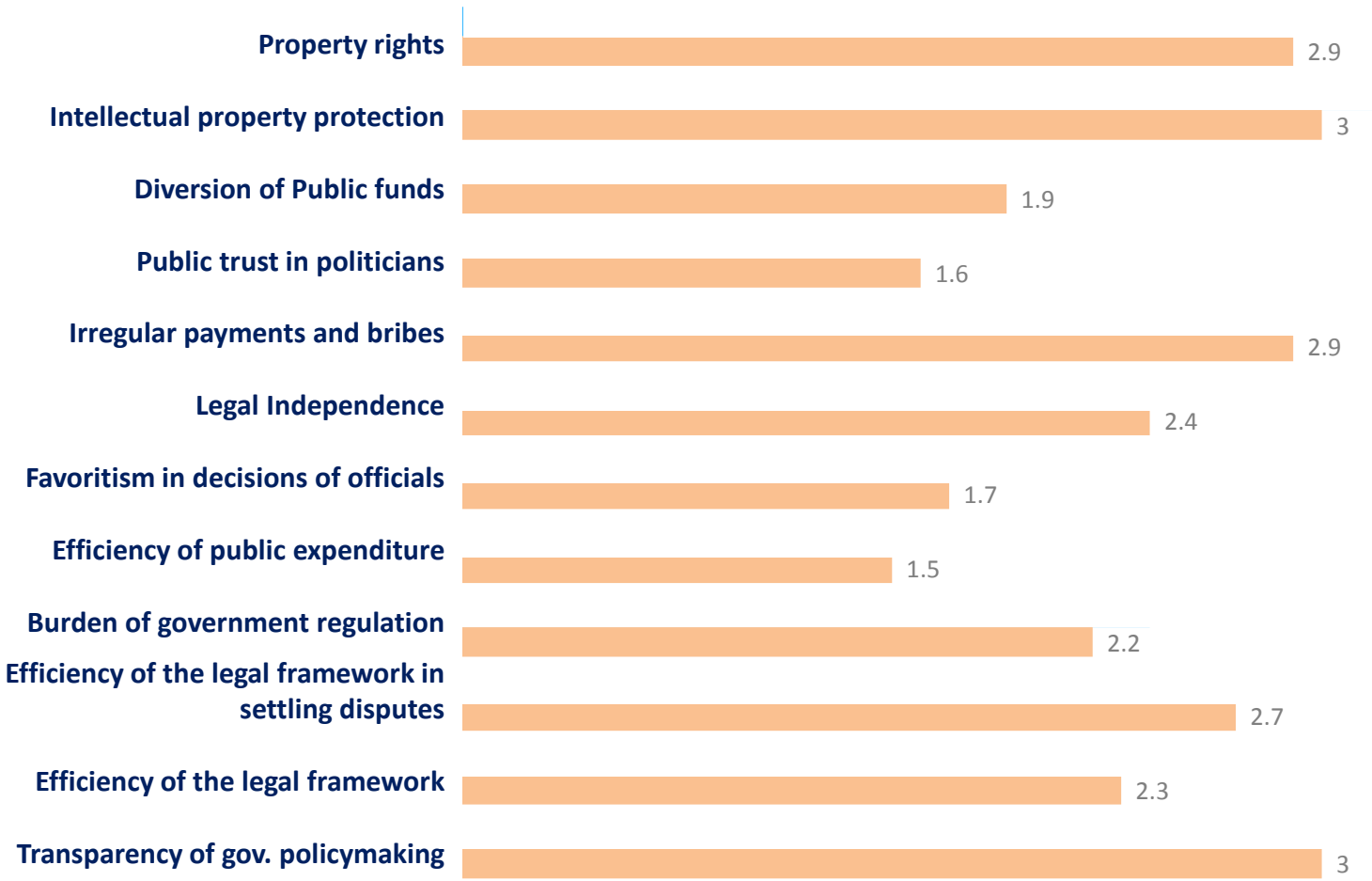
Fuente: Dirección de Economía Minera en base a WEF – Banco Mundial

# INSTITUTION´S QUALITY IMPROVEMENT

## INSTITUTIONS PILLARS IN ARGENTINA

Score 1-7 (better)

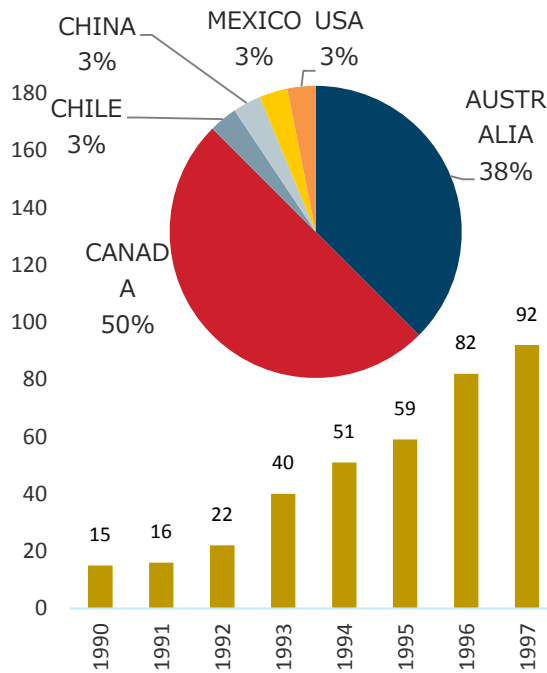
2015



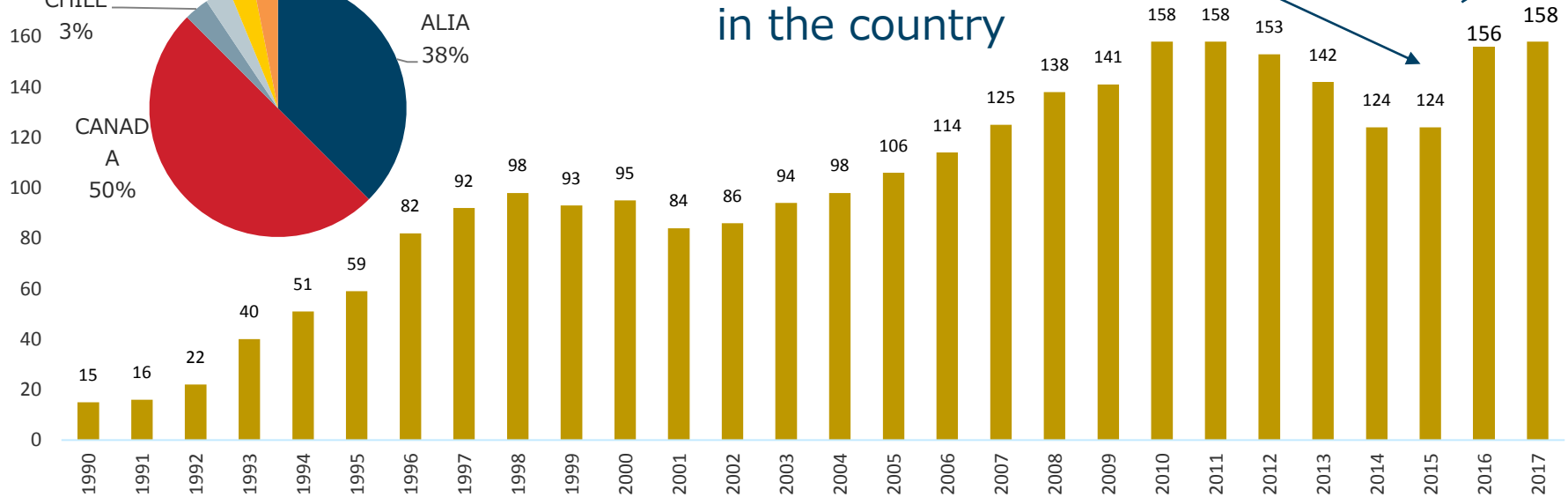
Source: WEF – World Bank



# A FIRST SIGNAL: PROJECT'S LIFE EXTENSION UNDER WAY AND MORE COMPANIES SETTING UP IN THE COUNTRY



Mining companies settlement in the country



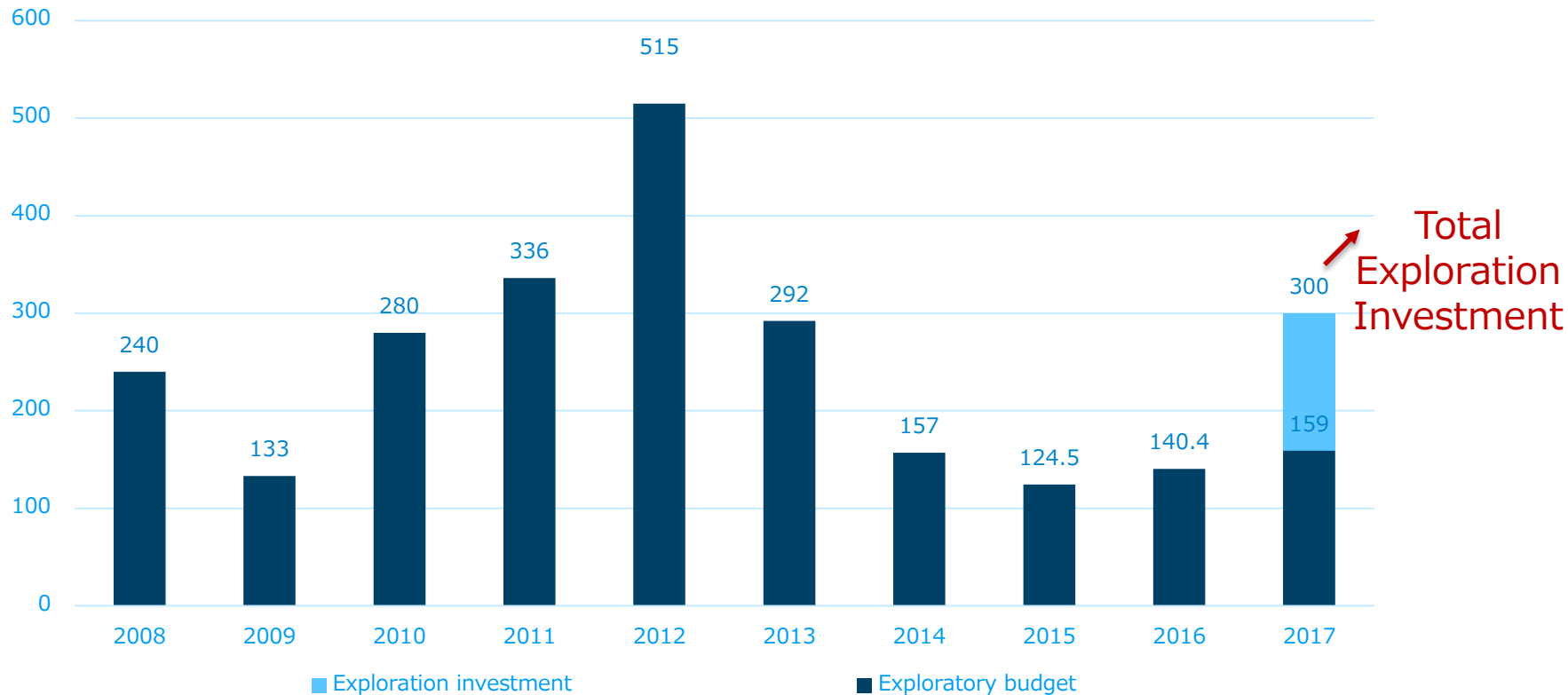
+32

Fuente: Dirección Nacional de Inversiones Mineras – Datos preliminares



# ALONG WITH THE IMPROVEMENT OF MINING EXPLORATION INVESTMENT

## Exploration mining budget and investment - MMUSD



Source: Exploration Budget: SNL Metal & Mining. Exploration investment: Dirección Nacional de Inversiones Mineras – Ministerio de Energía y Minería

You are welcome to visit the Argentine Embassy 's website:

[www.ejapo.mrecic.gov.ar](http://www.ejapo.mrecic.gov.ar)

You can download the following documents on today 's Seminar:

- Business Environment
- Mining Offer – Advanced Pojects
- Opportunities for Exploration

Thank you





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