FRIS

# Situation 1

Situation number 1 is when FRIS wants to outsource work (to individuals or to INTI) directly from the outside. In this case, individuals or INTI produce an invoice as “software services export” and FRIS transfers the money to an account in Argentina. There are no charges to the money transferred from the USA. When the amount of money transferred exceeds 600K USD in one year, a 12% fee is charged on the excess over the 600K USD.

The individuals pay taxes as “Monotributistas” (single tax payers) and get taxed between 7% and 10%, depending on the net annual income.

# Situation 2

FRIS sets up a company in Argentina, namely FRIS Argentina. Companies in Argentina can be classified in several classes. Two are suitable for you:

1. SA
2. SRL

Both types imply limited responsibility for all the partners. Moreover, if the company doesn’t pay taxes properly, the directors could be responsible with their own patrimony.

Both types of companies pay 30 % of federal income tax on the net income (basically, difference between income and expenses). After fiscal year 2019, the payment is reduced 5 %. That means federal income taxation for these companies for fiscal year 2020 and forward would be 25 %. The government is trying to reduce tax pressure.

If the company qualifies as a beneficiary of the software industry, that 30% is reduced to 12% (But this special tax regime ends at 12/31/2019. The current government doesn’t seem interested in extending this regime.)

Regarding financial operations, there are several situations to be considered:

## Transfers from abroad - Outsourcing within Argentina

FRIS Argentina needs to receive money from its US partner, which will be its solely source of income. If Fris Argentina is considered as a software company[[1]](#footnote-1), that would be a software service export to the US company. When a company (any kind) exports services, you don ‘t have to pay value added tax.

But in every payment of FRIS Argentina to a private company (like when you buy supplies or pay for services) you will have to pay that tax. If you pay to a state entity (like INTI or UNS) you don’t pay value added tax.

Anyway, FRIS Argentina can recover the value added tax. The company would have to make a procedure at the AFIP (counterpart of the US Internal Revenue Service) to get back this tax you paid. There is an international standard that says the value added tax can’t be exported. So as a exporter you can recover it.

## Employees

FRIS Argentina needs to pay employee salaries. In this case, for each employee you need to consider an approximate overhead of 1.8 due to health insurance, social services, etc. If you decide to fire an employee you need to pay him 1 month of salary per every worked year and a few other small compensations.

# Situation 3

FRIS USA wants to hire employees in Argentina. This should be consulted with an accountant/attorney or US company. CHARBEL THIS IS YOUR HOMEWORK

# Incubation

A situation in between Situation 1 and 2 would be to incubate FRIS Argentina under the TEAC foundation umbrella. The advantages would be that TEAC could provide the physical space, internet, furniture for as long as needed (You need to consider that rental contracts in Argentina, for example, must be written for 2 years initially). Formally, there would be a contract for services between FRIS and the Foundation for the logistics (this is a low monthly amount).

The personnel could be paid directly from abroad (as in Situation 1) or through the Foundation (this has a 17% overhead due to administrative costs).

It seems that in order to be covered by this law, a company must satisfy two out of the following requirements:

a) Accreditation of expenses in research and software development activities  
b) Accreditation of a recognized quality standard applicable to software products or processes  
c) Realization of software exports.

~~FRIS would qualify for a) and c)~~

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   b) Accreditation of a recognized quality standard applicable to software products or processes  
   c) Realization of software exports. [↑](#footnote-ref-1)