



## The SA (Sociedad Anónima) in Argentina

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Establishing a company in a foreign country can be challenging in terms of designing the legal structure and organising a streamlined and efficient incorporation process. Alliuris member firms provide corporate legal services, in particular for the formation of companies in their home country.

This article provides a brief overview of the legal form of a Sociedad Anónima in Argentina.

### **The Sociedad Anónima (SA) in Argentina**

The organization and operation of business organizations in Argentina are regulated by the General Companies Law No. 19,550 (“GCL”), and supplementary regulations. The GCL provides for several business forms that may be used to channel business and investments in Argentina, being the Sociedad Anónima (the equivalent of a stock corporation in the US law) and the Sociedad de Responsabilidad Limitada (the equivalents of a limited liability company in US law) the most common legal form adopted for large businesses.

The Sociedad Anónima (SA) is one of the most recognized corporate structures in Argentina, offering limited liability to its shareholders and facilitating diverse business operations. This legal entity is ideal for both domestic entrepreneurs and foreign investors looking to participate in the Argentine market. The SA does not have a legally mandated duration, but in practice a term of 99 years is commonly used, meaning it continues to operate regardless of changes in its ownership or management structure. In this document, we will explore the key features, advantages, and legal requirements for establishing and operating an SA in Argentina.

**Choice of seat and place of incorporation**

Choosing a location for incorporating an SA in Argentina requires careful consideration of regional laws and economic conditions. Argentina's federal structure grants provinces the authority to enforce specific regulations, although the City of Buenos Aires is usually the most common choice due to its broader regulatory framework, economic dynamism, and accessibility. Registration is carried out in the Registro Público de Comercio corresponding to the jurisdiction where the company's headquarters will be based; within the City of Buenos Aires, the SA is supervised by the General Inspection of Corporations ("IGJ"). Companies should also evaluate logistical factors, such as proximity to customers, suppliers, and infrastructure.

**Shareholder**

Previously, an SA required a minimum of two shareholders, but today companies formed by a single person are permitted, provided that the individual contributes assets for the production or exchange of goods or services: the Sociedad Unipersonal (SAU). This type of entity can only be formed as a SA.

There is no upper limit to the number of shareholders, making the SA suitable for businesses of varying scales, from small enterprises to multinational corporations. Foreign shareholders are permitted and must obtain a tax identification number ("CDI") and appoint a local representative to handle legal and tax matters. Shareholders' liability is strictly limited to the amount of their capital contributions (except in cases of fraud), providing significant risk mitigation.

The shareholders participate in the general meeting, the company's supreme decision-making body, where they vote on major issues, such as approving financial statements, electing directors, and amending the bylaws. Shareholders' rights are proportionate to their shares unless otherwise specified in the articles of incorporation.

**Management**

The administration of an SA is entrusted to a board of directors (Directorio), which oversees the company's strategic direction and daily operations. The board must consist of at least one director, though larger companies typically have multiple directors. Directors can be Argentine or foreigners. Notwithstanding this, absolute majority of the board members must be Argentine residents, ensuring local oversight and accountability. Companies that do not appoint a statutory auditor must designate at least one Alternate Director.

The SA with a stock capital higher than ARS 2,000,000,000 (approx. USD 1.36 million) must appoint at least three regular directors and statutory auditor. Directors are appointed by the shareholders at the general meeting and serve for a term defined in the company's bylaws, which may not exceed three fiscal years, with the possibility of re-election. Regular directors shall obtain a tax ID. Number (CUIT) and registered themselves with the Customs Collection and Control Agency (ARCA) for the payment of social security. Also, regular directors must annually hire an insurance policy.

Directors have fiduciary duties to act in the best interest of the company and its shareholders. They can be held personally liable for misconduct, negligence, or actions exceeding their authority. Additionally, Argentine corporate law imposes strict compliance requirements on directors, including the obligation to keep accurate corporate records and disclose conflicts of interest.

### **Formation**

Establishing an SA involves drafting the company's bylaws, which outline its objectives, share structure, governance framework, and other operational details. The bylaws must be approved by the shareholders and notarized before registration. Once the bylaws are finalized, the company is registered with the Registro Público de Comercio in the jurisdiction of its headquarters. This process grants the SA legal personality and enables it to operate as an independent entity. It takes approximately 10 working days to have the SA registered since the Bylaws are filed with the Registro Público de Comercio.

The registration process also includes obtaining a CUIT from the Customs Collection and Control Agency (ARCA) and registering with local authorities for municipal taxes and business licenses. Depending on the company's industry, additional permits or regulatory approvals may be required.

Regarding SA's duties, they must keep legal and accounting books. Also, any change in the board of director's composition, as well as any amendment to the company's bylaws shall be filed with the Registro Público de Comercio in the jurisdiction of its headquarters.

### **Share Capital**

The minimum share capital for an SA in Argentina is ARS 30,000,000 (approx. USD 20,338). At the moment of company's constitution, 100% of the stock capital shall be subscribed and at least 25% shall be integrated. The other 75% could be integrated within two years since company's registration. Share capital can be contributed in cash or in kind, such as property or equipment, which must be independently valued and verified by a certified public accountant.

The shares of an SA are typically registered and may be freely transferred, subject to restrictions outlined in the bylaws. The transfer of shares must be registered in the company's stock ledger book. Shareholders may choose to issue different classes of shares, granting varying rights, such as voting power or preference in dividends.

### **Registration with Other Authorities**

In addition to registering with the Registro Público de Comercio, an SA must register with the AFIP to obtain its CUIT. Depending on the type of business, the company may need to register with provincial and municipal authorities for specific operational permits. For instance, industrial companies must obtain environmental permits, while businesses in regulated sectors, such as finance or telecommunications, require additional licenses.

**Taxation**

Corporate income tax for SAs in Argentina is levied at a standard rate of 25%. Companies must also pay value-added tax (VAT) at 21% on most goods and services, along with various provincial and municipal taxes. For instance, companies operating in Buenos Aires are subject to a gross income tax (Ingresos Brutos) based on their revenue.

Dividends distributed to shareholders are subject to a withholding tax of 7%, provided the distributions comply with the regulations on profit distribution. Companies engaging in international transactions must also comply with transfer pricing rules to ensure arm's length pricing.

**Accounting and Reporting**

Transparency is a cornerstone of corporate governance in Argentina, with strict rules ensuring the disclosure of financial and operational information. Failing to comply with these requirements can result in significant penalties or suspension of corporate activities.

**Anti-money laundering measures**

Argentine SAs must comply with the country's anti-money laundering framework, which includes identifying and maintaining records of beneficial owners. The Financial Information Unit (UIF) oversees compliance and requires companies to report suspicious activities. Non-compliance with these measures can lead to severe sanctions, including fines and restrictions on business operations.

**Foreign Investment Control**

Foreign investors are generally granted the same rights and protections as domestic investors. However, certain strategic sectors, such as telecommunications, media, and natural resources, are subject to restrictions or require additional approvals.

**Bank Account**

To operate effectively, an SA must open a corporate bank account. Banks require extensive documentation, including the company's registration certificate, CUIT, and bylaws, to comply with anti-money laundering and tax compliance standards. Additionally, foreign shareholders may need to provide further documentation.

**Formation Expenses**

The costs associated with establishing an SA in Argentina vary depending on the complexity of the structure and the professional services required. Notary fees, registration charges, and legal advisory costs, currently around ARS 2,200,000 (approx. USD 1,506.85). Additional costs may include fees for obtaining licenses and permits, as well as professional fees for drafting and reviewing the bylaws.

The Sociedad Anónima is a versatile and robust corporate structure that provides limited liability, flexibility, and access to Argentina's dynamic economy. It is essential to seek professional legal and financial advice to navigate the complexities of incorporation and ensure compliance with local regulations. With proper planning and execution, an SA can serve as a powerful vehicle for business success in Argentina.

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