



Overview of Taxes  
Private Vineyards Owners Conference - 2013



# What Taxes Do I Have to Pay?

- **Property Tax** (*Impuesto Inmobiliario*)
- **Minimum Presumed Income Tax** (*GMP*)
- **Income Tax** (*Ganancias*)
- **Personal Asset Tax** (*Bienes Personales*)

# When you pay...

When do I start paying taxes?

*Immediately. The first year you make a payment to us.*

Even if I don't have title, yet?

Even if you don't have title.

Even if I haven't finished paying for the vineyard?

Even if you haven't finished paying for the vineyard.

Even...

...STOP IT!!

# Property Tax

- **What is it?** Tax levied on property
- **How much is it?** ≈ARS \$100 (US\$20)/vineyard
- **How does it get paid?** We pay it and then include it in your maintenance budget/true-ups

# Minimum Presumed Income Tax

- **What is it?** Its an asset tax and a clever way for AFIP to collect taxes in advance and limit tax evasion
  - They assume the asset is value producing, even when we know it isn't
  - They collect presumed taxes to use against future income tax you will owe
  - You can use the credit for 10 years against your net income tax
- **How much is it?** 1% of total price of vineyard, less ARS \$200,000 deduction

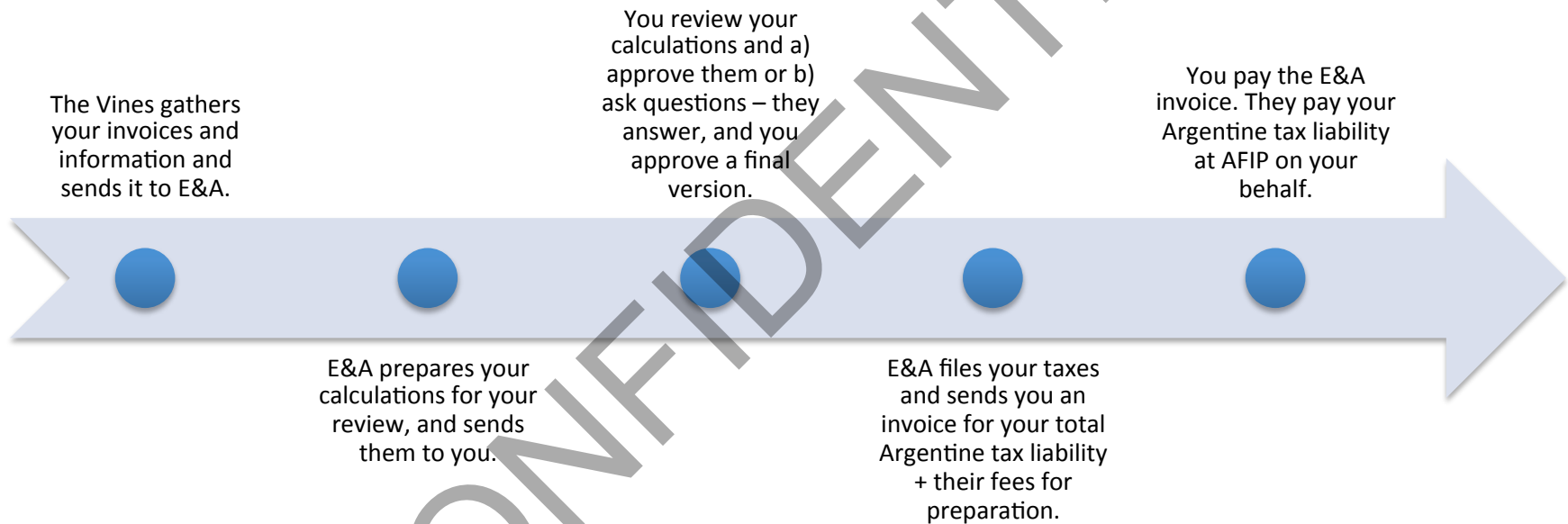
# Minimum Presumed Income Tax (cont.)

- **How does it get paid?**

- You hire an accountant
  - We recommend English & Associates (E&A), a bilingual accounting firm in Mendoza.
  - Almost all of our owners use E&A, but you are free to use whoever you want to file your taxes in Argentina and in the U.S.
- E&A files your taxes in late April/early May.
- E&A invoices you for BOTH their fees and taxes owed.
- You pay E&A.
- E&A pays AFIP on your behalf.

ENGLISH & ASSOCIATES

# How Does the Filing Process Work?







High-Tech Invoice-Gathering Technology



# Credits = Assets = Deductions

- **DOUBLE DIPPING:**
  - Each year that you pay GMP, you get a credit.
  - Each subsequent year, that “credit” counts as an asset for your next year’s taxes.
  - You then pay taxes on your “credit”
  - But you will get to deduct these credits when you file/pay income tax... **IF** you have a gain
- This is a conservative approach that E&A’s experience with other tax payers justifies
- You can choose to adopt this approach or not

# What Happens When I Sell Grapes/Wine?

When you sell grapes or wine, The Vines issues invoices and reports the sales to AFIP – these are known as “Liquido Productos” →

Vines retains percentage of the total sale and pays that to AFIP. This retention is used as a credit on that year’s tax and, if unused, carries over for up to 10 years.

**the vines**  
of mendoza

VINO TOURISM ARGENTINA SRL  
Gutierrez 476 - Capital - Mendoza - Argentina  
Tel. ARG: ++54(0)261 - 438 0021  
Tel. US: 707 320 2699  
MENDOZA - ARGENTINA  
IVA Responsable Inscripto

**NOTA DE LIQUIDO PRODUCTO**  
00000330  
N° 0005-  
12-Jul-12

Fecha | Date: 30-70922128-7  
C.B.I.L.T.: 521057  
Intr. Brutos: 01-0521057-01  
Establecimiento N°: 5/1/05  
Inicio de Actividades: 0800 222 6678  
Defensa del Consumidor Mza.

Cliente | Client: [REDACTED]  
Domicilio | Address: [REDACTED]  
CUIT | CDI: 20-60340919-2  
País | Country:  
Teléfono | Phone:  
Fax:

IVA	No Resp. Resp. Insc.	Exento Resp. Monot	Cons. Final	SETTLEMENT OF:	VENTA
Lote Q	Variedad Cab. Franc	Kilogramos 3.401,00	Comprador [REDACTED]	Precio 4,42	Total 15.032,42

Observaciones:  
Tipo de cambio USD 4,5 2.720,80

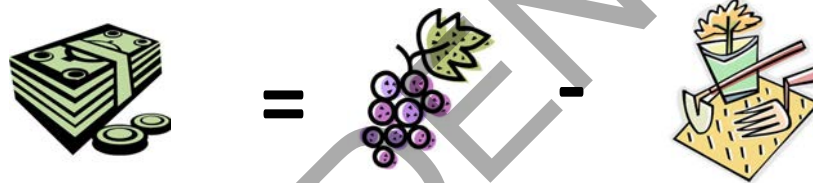
Subtotal Gravado en IVA   Subtotal Subject to VAT	15.032,42
Subtotal No Gravado en IVA   Subtotal Not Subject to VAT	1.428,42
IVA   VAT	
Total a favor Cliente   Total in favor of Client	13.604,00
Gastos Deducibles   Deductible Expenses	1.360,40
Retención Impuesto a la Ganancias (Resol B30)   Income Tax	1.360,40
Total de Deducciones   Total Deductions	12.243,60
<b>LIQUIDO   SETTLEMENT</b>	

# Income Tax

- **What is it?** A tax on net income for the year
- **How much is it?** 35% of net income
- **How does it get paid?**
  - E&A files Net Income Tax and Presumed Income Tax in every year you sell grapes or wine or export wine. You pay one of the two.
  - E&A bills you. You pay, and E&A pays AFIP on your behalf.

## Income Tax

**net income** = sales - **expenses**



Sales = grape sales + nota LP exportación

Expenses = Inventory + broker fees + amortization

**Inventory** = inventory previous year + (maintenance, winemaking, purchase of grapes) - inventory current year

# Income Tax Due



# DOUBLE TAXATION?

- You never pay both Net Income Tax & Minimum Presumed Income Tax for the same year. You have to FILE both, but you only pay one.

## What If I Have a Net Loss?



sales < expenses



- A net loss for the year means you only pay Minimum Presumed Income Tax.
- You never pay both Income Tax & Minimum Presumed Income Tax for the same year.



# What If I Have a Net Gain?



sales > expenses



- A net gain for the year means that you only pay Income Tax.
- You can offset this tax in two ways:
  - Using credits and withholdings to “pay” any tax determined
  - Using your losses from previous years to reduce your tax base before the 35% is applied

## Personal Asset Tax

- You only pay if you own or are constructing a house in Argentina
- Some ambiguity over whether or not rural real estate is subject to this tax : E&A recommends that it is not
- Rate 0.125%

# Assistance with Argentine Taxes

- For further assistance with your Argentine taxes, please contact Tatiana Lugones at English & Associates:

[tatiana@englishassociates.com](mailto:tatiana@englishassociates.com)

# U.S. Issues & Considerations



- For tax purposes, vineyards and winemaking are considered two separate businesses
  - Vineyards = Farming
  - Winemaking = Manufacturing
- On request we will prepare and send you an itemized breakdown of your initial services payment

# Do I get credit for income taxes paid in Argentina?

For income taxes paid to a foreign government, on their U.S. tax filing, a U.S. individual can choose to either:

Take a credit

Take an itemized deduction

Full credit not claimed in a particular year?

Unused credit may be carried back or forward. Can't deduct unused credits.

# Can I deduct my travel expenses?

- Maybe.
- Legitimate business expenses can be deductible so long as the expense is related to a business with a profit motive and not just a hobby.
- Meals or entertainment expenses are limited to 50%.
- Keep your receipts!



# Possible Limitation on Use of Losses

- If your vineyard results in a loss, that loss can generally be used to reduce your income from other sources.
- But, there are 3 possible limitations on the use of those losses:
  - “at-risk” rules;
  - passive activity rules; and
  - “hobby loss” rules.

# Assistance with U.S. Taxes

## Accounting Firm in US:

Crowe Horwath, LLP  
9600 Brownsboro Road,  
Suite 400  
Louisville, KY 40241

## Contacts:

Greg Hintz  
502-420-4513

[Greg.hintz@crowehorwath.com](mailto:Greg.hintz@crowehorwath.com)







SEPTEMBER 18-21, 2013  
Private Vineyards Owners Conference