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# *Argentina-Mexico tax treaty enters into force*

October 3, 2017

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## *In brief*

Mexico recently published the Income and Capital Tax Convention with Argentina ('the treaty'), which was signed on November 4, 2015 and entered into force on August 23, 2017.

The treaty may provide benefits to certain taxpayers by reducing domestic law income tax withholding rates on the following categories of cross-border payments:

- **Interest:** Top domestic law rate of 35% reduced to a maximum of 12%.
- **Royalties and technical assistance:** Domestic law withholding rates of 25% or 35% on payments made to a Mexican beneficial owner, as well as a top Argentine domestic law rate of 31.5%, reduced to 10% or 15%.

The treaty additionally provides relief for residents of both countries by reducing the tax rate on capital gains realized in connection with the sale or transfer of shares to 10%, assuming various requirements are met.

The treaty also includes Base Erosion and Profit Shifting (BEPS)-inspired provisions, such as a limitation on benefits clause that addresses treaty abuse practices and double non-taxation scenarios.

For more information, please refer to [PwC Tax Insights: Mexico-Argentina tax treaty signed](#).

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## *The takeaway*

Multinational enterprises with existing or planned investments or operations in Mexico or Argentina should consider the potential effects of the treaty on holding company and financing company structures, IP access/ownership, cross-border services, and overall structuring of current or future business operations in either country.

## ***Let's talk***

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*This Latin American Tax Insight has been prepared by PwC professionals that are integrated in Europe's Latin American Center of Excellence (LACoE) and the US's Latin American Tax Group (LATAX) practice. Their objective is to assist clients with business activities in the Latin American region.*

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