

TOURISM IN ARGENTINA EXPECTED TO INCREASE THANKS TO NEW VAT REFUND



With a view of boosting tourism in Argentina and revitalizing the local hospitality sector, the government presented the official plan for a VAT refund on accommodation services for tourists coming from overseas.

Under the new system, foreigners will pay a lower fee for accommodation services in the country. In other words, **through this reform, the cost of renting a hotel room in Argentina will be cheaper for the visitors.**

The refund will be automatic and will be given directly to the foreigner who pays for the services and, according to official information, the measure will cover the entire supply chain of the hospitality sector. This means that it includes direct purchases by foreign tourists and also purchases made through travel agencies within and outside the country.

According to official sources, the measure will not be implemented through a law (it was previously approved in 2001 but never regulated), but it will be implemented through a decree signed by the Tourism Minister, Gustavo Santos and President Mauricio Macri.

The new arrangement will come into effect once the Ministry of Finance agrees to endorse it. The government estimates that it will take more than two months.

At first, it was reported that tourists would also receive a refund for goods bought in the country, but this system already exists under Tax Free Shopping (operated by Global Blue).

With this new mechanism, the government falls in line with similar systems in Colombia or Ecuador, where the refund already exists. In Mexico, Peru, Chile and Uruguay there is automatic tax exemption for tourists.

In other countries, mainly in Europe, a reduced tax rate applies to renting accommodation services. Spain and Italy, for example, reduced the rate by 10%. Other examples are: Germany (7%), France (7%), Greece (6.5%) and Portugal (6%), among others.

The Argentinian government hopes that this system will facilitate auditing because it is based on the use of electronic invoicing and also prevents money laundering, because it applies to reimbursement when paying from overseas by credit card or when the currencies are settled.

The authorities believe that the greatest impact will come from a revival of tourism in Argentina from the neighboring countries.

According to official estimates, in the first year there will be 95,000 additional tourists thanks to the new measure, providing foreign exchange earnings of US \$70 million. The fiscal cost, meanwhile, will be some \$600 million per year.

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