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Companies should consider moving into South America

India's private sector has invested billions of dollars into South America, sharply increasing trade flows and expanding India's global brand. The country's leading companies have become a ubiquitous presence in the region. More than 100 Indian companies have invested over US\$12 billion in South America across a wide variety of industries. India is also one of the largest suppliers of information technology services to South America.

Brazil, Argentina, Chile, Peru, Colombia and Bolivia have been the engines of bilateral growth. Brazil is the largest one but Argentina is also attractive.

India-Argentina relations are cordial and encompass political, economic, scientific, cultural and technological cooperation, including Antarctic research. Argentina has an embassy in Delhi and a consulate general in Mumbai while India has an embassy in Buenos Aires.

A preferential trade agreement between India and Mercosur (of which Argentina is a member) has been in operation since 2009 and bilateral treaties and agreements between India and Argentina include a customs agreement (2011) and a memorandum of understanding for cooperation in agriculture and allied sectors (2010).

India's imports from Argentina increased sharply from US\$1.99 billion in 2014-15 to US\$2.47 billion in 2015-16 and Argentina offers vast opportunity for investment in sectors such as infrastructure, oil and gas, agriculture, meat production, banking, advanced technologies and knowledge-based services such as accounting, finance and health.

Areas relating to agriculture and agricultural processing offer immense scope for

collaboration between businesses in India and Argentina and enhancing India's food security. A report released by India's Ministry of the External Affairs notes that agribusiness is an important sector where the two countries can cooperate to benefit mutually. Farming in Argentina is done on a large scale; it is technology-driven and globally competitive.

Argentine laws do not impose restrictions on foreign investments. Under the Argentine constitution, foreign investors enjoy the same legal treatment as domestic companies and individuals. Foreign companies may invest without pre-approval or registration prerequisites. Argentina's government has also implemented general, sectoral and regional incentives to promote further investments.

Foreign companies can set up a business in Argentina by incorporation of a branch office or creation of a subsidiary.

Section 118 of Argentina's Business Organizations Act – Ley de Sociedades Comerciales (LSC) – provides for a "branch". A branch office is merely an administrative decentralized office which does not have a separate identity with different rights and obligations. Apart from that, the branch office can own its own assets without any limitation.

The branch does not own specific equity capital and therefore is not required to keep the minute book of meetings of the shareholders, directors and members of the parent company. However, it is required to maintain accounts separately from its parent company and submit the statement of accounts annually to the Public Registry of Commerce.

To set up a branch office in Argentina, a company must: (a) prove the existence of the corporation according to the laws of its

country of origin; (b) establish a domicile within Argentina and publish it in the Official Gazette; and (c) justify the decision to create such representation and appoint an officer to be in charge of it.

A subsidiary company is generally created by the foreign company as the shareholder. A separate corporation by shares (sociedad anónima, SA) or a limited liability company (sociedad de responsabilidad limitada, SRL) is incorporated independently from the parent company. The subsidiary has its own rights and obligations, its own equity capital and its own administrative and managing body.

The subsidiary is liable to third parties with its own assets and, in principle, the parent company is not liable for the operations carried out by the company created in Argentina, except in cases where the corporate veil is pierced by a court order.

For setting up a new corporation by shares or a limited liability company, shareholders who are foreign individuals must first register in Argentina under the provisions of section 123 of the LSC. The steps taken for incorporating a branch office are the same in the case of a subsidiary company.

It is hoped that more Indian companies will discover the huge potential that Latin America and Argentina offer and will make a mark for themselves.

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