



Tax and Legal Services

2021 Economic Package

September 9th, 2020

2021 Economic Package

On 8th September, the Federal Executive submitted the 2021 Economic Package, which is composed by the General Economic Policy Criteria, Federal Revenue Law, Federal Expenditure Budget, Income Tax Law (LISR), Value Added Tax Law (LIVA), Excise Tax Law (LIEPS), Federal Tax Code (CFF) and Federal Fees Law, which were sent to the Chamber of Deputies for review and, if approved by Congress, would become effective as of January 1, 2021.

A summary of the most relevant proposals is presented below.

Macroeconomic Framework

The proposed economic variables are as follows:

	Estimate 2020	Estimate 2021
Actual growth %	-8.0	4.6
Inflation %	3.6	3.4
Exchange rate	22.3	21.9
Interest rate %	4.0	4.0
Oil (dolls/barrel)	34.6	42.1

Federal Revenue Law

The same surcharge rates will remain in effect, as follows:

1. Extensions granted for the payment of tax liabilities would generate the following surcharges:
 - A monthly rate of 0.98 percent on outstanding balances which, after applying the provisions of the CFF would increase by 50% to reach 1.47%.

- When, in conformity with the CFF, installment payments are authorized, the surcharge rates detailed below would be applicable to the balances during the period in question:

- i. In the case of installment payments made during periods of up to 12 months, the monthly surcharge rate will be 1.26 percent.
- ii. In the case of installment payments made during periods of more than 12 months and up to 24 months, the monthly surcharge rate will be 1.53 percent.
- iii. In the case of installment payments made during periods of more than 24

months and deferred payments, the monthly surcharge rate will be 1.82 percent.

2. The same tax incentives and exemptions would remain in effect:
 - The IEPS incurred on diesel, biodiesel and the respective blends, which are imported or acquired, while up to 50% of the expenses incurred for the use of toll highway infrastructure may be credited against ISR.
 - The IEPS payable by buyers that utilize fossil fuels.
 - The crediting of the special mining duty by taxpayers with revenues of less than 50 million pesos.
 - Exemption from the payment of customs processing fees incurred by natural gas imports.
3. The tax withholding applicable to interest

paid to individuals resident in Mexico would be calculated by applying the annual 0.97 percent rate to the principal amount.

4. The IVA and IEPS tax incentive would be maintained for taxpayers subject to the Tax Incorporation Regime by applying certain percentages by economic sector, goods types and the respective reductions, depending on the number of years during which tax has been paid under this regime.

Income Tax Law

1. As the reference to School Business Programs would be eliminated from the Law in question, they will no longer be considered as authorized recipients. Similarly, the donations granted to them will no longer be deductible and may not be considered as a personal deduction for individuals.
2. Entities which, according to the Law, group

cooperative associations would also have to be producers or consumers, as would also be the case of the cooperative integration and representation entities referred to by the General Corporate Law.

3. The following civil corporations or associations must be authorized to receive donations classified as deductible for the purposes of the Law; i.e., those that:
 - A. Perform scientific or technological research and which are registered with the National Registry of Scientific and Technological Institutions.
 - B. Grant the scholarships referred to by the Income Tax Law.
 - C. Perform research or conservation activities involving wild land or aquatic flora or fauna in defined geographic areas, as well as those engaged in promoting the

prevention and control of water, air and soil contamination, environmental protection and the conservation and restoration of the ecological balance among the general population.

D. Reproduce species that are either protected or in danger of extinction and the conservation of their habitat, as long as a prior opinion is obtained from the Department of the Environment and Natural Resources.

E. Utilize their assets exclusively for the attainment of their corporate purpose and which may not grant benefits related to the distributable remnant to any individual or entity, unless involving corporations or trusts authorized to tax-deductible donations or the remuneration of effectively received services.

4. Non-taxpaying legal entities, together with corporations and trusts authorized to receive tax-deductible donations, and investment funds must consider the distributed remnant when expenses do not fulfill the requirements established to permit their coverage by a electronic invoice and when payments exceeding the amount of \$2,000 are made through electronic transfers, checks, credit or debit cards or electronic wallets.

5. Companies and trusts authorized to receive tax-deductible donations that obtain revenues from activities differing from the purposes for which they were authorized to receive donations, when exceeding 50% of their total revenues of the fiscal year in question, shall lose this authorization, as determined by a ruling and notification issued by the respective tax authority. If this authorization is not once again obtained

within 12 months following the loss of the first authorization, these entities must transfer their entire net worth to another donation recipient authorized to receive income tax-deductible donations.

6. Entities authorized to receive donations that are deductible for the purposes of the LISR and which have obtained electronic invoices issued by a taxpayer included in the list referred to by the fourth paragraph of article 69-B of the CFF, shall consider the amounts covered by these electronic invoices as income and shall pay tax according to the terms of Title II of the LISR, in those cases in which, within a period of 30 days following this publication, they have failed to certify before the respective authority that they effectively acquired the goods or services covered by these electronic invoices.

7. In those cases in which the authorization to receive tax-deductible donations is revoked

or when such authorization has expired and has not once again been obtained or renewed within 12 months following the date on which these events take place, the entity in question must transfer its entire net worth to other entities authorized to receive income tax-deductible donations, which must issue a electronic invoice for this donation, that will not be deductible for income tax purposes.

The companies referred to by the preceding paragraph shall pay tax according to the terms and conditions contained in Title II of the LISR. The resources that must be donated to other authorized donation recipients must be transferred within a six-month period as of the expiration date of the deadline established for once again obtaining authorization, when it was revoked or expired.

The terms of the preceding paragraph will also be applicable when an authorization cancellation request submitted by an authorized donation recipient is approved, which must then transfer its entire net worth to another donation recipient authorized to receive income tax-deductible donations, which must issue an electronic invoice for the donation, that will not be deductible for income tax purposes.

8. In those cases in which the authorization granted to nonprofit entities or trusts to receive donations has been revoked or has not been renewed due to their failure to fulfill the obligation to make information available to the general public regarding their authorization to receive donations, the use given to such donations and their compliance with tax obligations, these entities must fulfill the obligation to report, through the media and forms

established for this purpose in the general provisions issued by the tax authority, within the month following that in which the revocation notification was received or that in which the non-renewal of this authorization is published, and may only obtain new authorization if they fulfill the omitted obligation before requesting new authorization.

9. In the case of certain non-taxpaying legal entities, except for welfare and charitable institutions authorized by the respective laws, whose authorization is revoked or is not renewed, as of the date on which notification of the respective ruling is given, may give donations to authorized donation recipients without considering the limit equal to 7% or 4% of their tax income during the year in which this authorization was revoked or was not renewed. This situation constitutes grounds for revoking authorization to receive income tax-

deductible donations, thereby initiating the revocation procedure contained in the provision by the Service Tax Administration (SAT) to revoke authorization to receive income tax-deductible donations.

10. The provision whereby an individual or entity resident in Mexico engaged in the performance of maquila operations may obtain a specific ruling pursuant to article 34-A of the CFF (APA) to certify their transfer pricing compliance and confirm that the foreign residents on whose behalf it acts do not have a permanent establishment in that country would be eliminated as this specific ruling would not be needed to fulfill the requirements of the provision in question.

Temporary Provisions

As of January 1, 2021, the following civil corporations or associations that do not have authorization to receive tax-deductible donations must pay tax according to the terms of Title II.

However, they must determine the distributable remnant generated as of December 31, 2020 pursuant to Title III of the LISR in effect until that date, while their partners and members shall accrue the remnant delivered in cash or goods by the aforementioned entities.

- A. Those engaged in scientific or technological research in which are registered with the National Registry of Scientific and Technological Institutions.
- B. Those granting the scholarships referred to by the LISR.
- C. Those performing research or conservation activities involving wild land or aquatic flora or fauna in defined geographic areas, as well as those engaged in promoting the prevention and control of water, air and soil contamination, environmental protection and the conservation and restoration of the ecological balance among the general

population.

- D. Those engaged in the reproduction of species that are either protected or in danger of extinction and the conservation of their habitat, as long as a prior opinion is obtained from the Department of the Environment and Natural Resources.

Value Added Tax Law

1. Welfare or charitable organizations authorized by the respective laws have been added with regard to professional medical services exempt from the payment of IVA, when their provision requires a medical degree according to applicable laws, as long as the services in question are provided by persons, whether individually or through civil corporations.
2. The digital services currently contains those mentioned in the respective law, including intermediation services between

third parties offering goods or services and those requesting such services, except for intermediation services intended for the sale of used movable goods. This exception is eliminated by the reform.

3. Foreign residents without a permanent establishment in Mexico that provide the following digital services would not be subject to compliance with the obligations contained in the respective law, as long as the respective intermediary withholds IVA:

- A. The downloading of or access to images, movies, text, information, video, audio, music, games, including games of chance, among other multimedia content, multiplayer environments, obtaining cell phone ringtones, the display of online news, information on traffic, weather forecasts and statistics.

- B. Online clubs and dating websites.
 - C. Distance learning, tests or exercises.

4. It has been proposed that when foreign residents without a permanent establishment in Mexico engaged in the provision of digital services to recipients located in that country do not fulfill the obligations to enroll with the RFC, appoint a legal representative before the SAT, provide a domicile in Mexico, perform the procedures established for obtaining an advanced electronic signature, fail to pay tax or withheld tax, the access of the digital services provider that failed to fulfill the above obligations shall be temporarily blocked by the concession holders of a public telecommunications network in Mexico until such time as this resident fulfills the omitted obligations.

The SAT shall publish the name of the

services provider on its website and in the official gazette (DOF), together with the date as of which its access to the digital service will be temporarily suspended to enable service recipients in Mexico to abstain from contracting future services.

5. The following terms are added in the case of digital intermediation services between third parties:

- A. The option of publishing on their website, application, platform or any other similar media, the price of the goods or services offered by vendors, service providers or grantors of the temporary use or enjoyment of goods in which they operate as intermediaries, without expressly and separately indicating the respective value added tax, as long as these prices include value added tax and are published with the legend "IVA included".

B. Foreign residents without a permanent establishment in Mexico, whether individuals or entities, that provide the aforementioned digital services must withhold 100% of the value added tax they collect. Furthermore, in this case, unless requested by the recipient, they must issue and send electronic invoices to the users of these digital services in Mexico, whether in the name of the individual or entity from which tax is withheld or in their own name.

C. In the case of foreign residents without a permanent establishment in Mexico that provide the aforementioned digital services and from which 100% of the incurred IVA is withheld, there will be no obligation to provide the information referred to by this provision.

Excise Tax Law

Through the agreements that will be published in the DOF, the Ministry of Finance would

establish complementary excise tax charges for automobile fuels (gasoline, diesel and non-fossil fuels), while considering the evolution of observed international and exchange rate benchmarks, among other factors, according to the procedure detailed in the new provision.

In the case of non-fossil fuels, the applicable complementary charges will be those currently used for gasoline of 91 or more octanes.

This new provision would take effect on the day following the publication of this decree in the DOF. However, the definition of complementary charges and their application would take place as of 2021 when the assumptions contained in the new provision are fulfilled.

Federal Tax Code

Business reason

The CFF currently establishes that the expression business reason will be applicable regardless of whether the laws regulating the economic

benefit reasonably expected by the taxpayer, while adding that the effects given by the tax authorities to the legal acts performed by taxpayers when applying this standard shall be limited to the determination of taxes, the respective ancillary government charges and fines, without detriment to the investigations and criminal liability that could arise with regard to the offenses established in the CFF.

Sales with deferred or installment payments

The definition of installment sales would be modified to indicate that sales with deferred or installment payments take place when electronic invoices are issued in conformity with the CFF, even when involving customers pertaining to the general public, when more than 35% of the price is deferred until after the sixth month and the agreed payment period exceeds 12 months. Likewise, transactions will be deemed to have been performed with the general public when the simplified electronic invoices referred to by the CFF are issued.

Corporate spin-off

In the case of a corporate spin-off, the sale of goods would be considered to have taken place when, following the transfer of all or a portion of the assets, liabilities and capital, an item or entry arises in the stockholders' equity of the original company, spinoff or spinoffs, regardless of the name given to it, the amount of which had not been recorded or recognized in any of the stockholders' equity accounts of the statement of changes in financial position, which was prepared, presented and approved by the general meeting of the partners or stockholders that approved the corporate breakup in question.

Cancellation of digital stamps

- The following assumptions would be added whereby the certificates issued by the SAT are canceled when it:
 - A. Detects that the taxpayer issuing the electronic invoices did not successfully challenge the nonexistence of the

transactions supported by the invoices in question and, accordingly, has definitely fulfilled this assumption.

B. Detects that taxpayers did not successfully challenge the undue transfer of tax losses and, accordingly, are included on the respective list.

- The period of between three to ten days established for the tax authorities to issue a ruling regarding procedures performed through the tax mailbox for the submission of evidence by taxpayers whose digital stamp was canceled, would be modified.

Temporary restriction of digital stamp certificates

- In this case, the following assumptions would be eliminated:
 - A. The authorities detect that the taxpayer issuing the electronic invoices did not

successfully challenge the nonexistence of the transactions supported by the invoices in question and, accordingly, has definitely fulfilled this assumption.

B. The authorities detect that taxpayers did not successfully challenge the undue transfer of tax losses and, accordingly, are included on the respective list.

- It would be stipulated that taxpayers whose use of a digital stamp certificate to issue electronic invoices (CFDI's) have been temporarily restricted are entitled to file, within a period not exceeding 40 business days, a clarification request by means of the procedure which, based on the general rules is provided by the SAT to remedy the detected irregularities or, if applicable, challenge the reasons that led to the application of this measure.

When the period of 40 business days has expired, the tax authorities will proceed to cancel the respective digital stamp certificates.

Tax mailbox

A new provision will be added whereby the tax authorities will give notification of any administrative act or ruling issued through digital documents, including any act that may be contested, while also sending messages of general interest.

Refund applications

- The provision would be added to this heading whereby a refund application would not be deemed to have been filed in those cases in which the taxpayer, or the domicile given by the latter, are not located in the Federal Taxpayers Registry (RFC). When the application is classified as unfiled, it shall not

be considered as a collection procedure that interrupts statute of limitations of the refund obligation.

- If the taxpayer has filed several applications for the same tax, the tax authorities may inspect each or all of the applications and issue a single ruling.
- Following the expiration of the term established for the tax authority to conduct taxpayer inspections, it must issue a ruling and notify the taxpayer within a period not exceeding the following twenty business days; the CFF currently establishes a 10-day period.

Joint liability

- A provision would be added whereby the limit applicable to joint liability would not be applicable when, following the transfer of all or a portion of the assets, liabilities and capital, an item or entry arises in the stockholders' equity of the original company,

spinoff or spinoffs, regardless of the name given to it, the amount of which had not been recorded or recognized in any of the stockholders' equity accounts of the statement of changes in financial position, which was prepared, presented and approved by the general meeting of the partners or stockholders that approved the corporate breakup in question.

- A new assumption of joint liability is incorporated for companies resident in Mexico or foreign residents with a permanent establishment in that country and which perform transactions with related parties resident abroad, over which these foreign entities have effective or full control, pursuant to the terms of Preferential Tax Regimes when, based on these transactions, the foreign resident creates a permanent establishment in Mexico according to applicable tax provisions.

This liability shall not exceed the taxes that would have been incurred by the foreign resident on these transactions as a permanent establishment in Mexico. The assumptions used to determine the existence of effective control would also be applicable to entities in Mexico controlled by a foreign resident, without detriment to the application of provisions regulating Preferential Tax Regimes.

Federal Taxpayers Registry

- The notice that must be filed with the RFC regarding information on partners and stockholders would be substantially modified so as to indicate the name and RFC of the partners, stockholders and other persons, regardless of the name given to them which, due to their nature, form part of the organic structure of the company and have this capacity according to the corporate bylaws or laws under which the company is incorporated, each time they are amended

or incorporated, according to the terms established by the SAT through its general rules.

- A provision would be added to the section of the powers of the tax authorities to suspend or reduce taxpayers' obligations, when confirmed by their systems or based on information provided by other authorities or third parties to the effect that taxpayers have not performed any activities in the three preceding fiscal years.
- A provision would be added whereby taxpayers that file an RFC cancellation notice due to the total liquidation of their assets, the suspension of operations or a corporate merger, must fulfill the requirements established by the general rules issued by the SAT, which include the following:
 - A. Not be subject to an inspection or have outstanding tax liabilities.

B. Not be included on the list of individuals or entities that have utilized electronic invoices to support nonexistent transactions, without having demonstrated that the latter effectively occurred; the issuance of invoices for nonexistent transactions and the undue transfer of tax losses.

C. The income declared and tax withheld by the taxpayer, as detailed in returns filed for estimated tax payments, withholdings, definitive or annual tax returns, must match the amounts detailed in the respective CFDI's, files, documents or databases maintained by the tax authorities or to which they have access.

The SAT will establish general rules to provide facilities whereby taxpayers will not have the obligation to file periodic tax returns or continue to comply with their formal obligations once they have filed an RFC cancellation procedure.

Electronic Invoices

- A provision would be added whereby, when partial or deferred payments are made to settle CFDI balances, the respective CFDI must be requested for export goods that are not intended for sale, which will be sold under gratuitous title or those for which taxes have been withheld.
- A provision would be added whereby, when an outstanding amount is not settled through a single payment or, when settled through a single payment, it must be considered as deferred when the CFDI covering the total transaction amount is issued. Accordingly, a CFDI will be issued for the full transaction amount when this payment is made and an additional CFDI shall be issued for each payment received.
- It would be clarified that CFDI's, including

those created to support tax withholdings, must fulfill the requirement determined by the SAT through its general rules.

Conservation of accounting records and related documentation

- A provision will be added whereby the information and documentation needed to implement agreements reached as a result of the dispute resolution procedures contained in tax treaties must be conserved throughout the life of the company or contract in question.
- New documentation assumptions would be added for the conservation of documentation such as the minutes of meetings that certify capital increases, the respective account statement; capital reductions performed by reimbursing partners, for which account statements must be conserved; in the event of corporate breakups and mergers, the

statements of changes in financial position and changes in stockholders' equity must be conserved, together with the working papers prepared to determine the CUFIN and CUCA balances of the immediately preceding and subsequent years, as well as the certificates issued or received by companies when distributing dividends or profits, for which account statements must also be conserved.

- When the tax authority is performing an inspection for fiscal years in which tax loss carryforwards were applied, it would add those cases in which dividends or profits are distributed or paid, the company's capital is reduced, stockholders are reimbursed and remittances are sent according to the LISR, CUFIN and CUCA movements of any other tax or accounting accounts involved in the aforementioned acts or movements for which taxpayers must provide documentation to

certify the origin of the tax loss and support the balance and origin of these accounts and events.

Standard for the automatic exchange of information on financial accounts for tax purposes (Common Reporting Standard)

Information on the high-value and new accounts, as well as low value and pre-existing accounts of entities that constitute reportable accounts would be presented annually by filing a tax return with the tax authorities no later than August 31, instead of June 30.

Activities performed by the tax authorities to enhance the compliance of their inspection powers

- A provision will be added whereby the authorities will periodically publish reference parameters for use by taxpayers according to the LISR, regarding profits, deductible items or effective tax rates presented by other entities

or legal figures that obtain income, payments or profit margins from the performance of their activities based on the economic sector or industry to which they belong.

This information will be publicized in order to measure tax risks. Under the auspices of voluntary compliance programs, the SAT will be able to notify taxpayers, their legal representatives and, in the case of companies, management boards, when they detect risk assumptions based on the parameters mentioned in the preceding paragraph, albeit without considering that an inspection has started. These programs are of a nonbinding nature and will be developed according to the general rules issued by this decentralized entity.

- Another activity would be incorporated in which the SAT will promote compliance as regards the filing of tax returns and the correction of taxpayers' situations by sending:

- A. Pre-filled payment proposals or tax returns.
- B. Communications to foment compliance with tax obligations.
- C. Communications to inform taxpayers of detected inconsistencies or atypical behavior.

The sending of the documents detailed in the preceding numerals would not be considered as the start of an inspection by the tax authorities.

Precautionary seizure on goods or business activities

The principle of precautionary seizure would be substantially modified in the following ways, among others:

- Modify the principle to include third parties related to taxpayers and/or joint obligors as these third parties may also resist the exercise of the tax authority's attributes, which would also make them subject to precautionary seizure.

- Include a paragraph indicating the amount of the precautionary seizure, which is equal to one third of the transaction amount.
- Adjust the order of precedence to give priority to bank deposits, followed by accounts receivable, shares, bonds, coupons that have reached maturity, etc.; cash and precious metals, real property, movable goods, the taxpayer's business activities; together with copyrights and artistic works, scientific collections and jewels, among others.
- The possibility of extending the precautionary seizure to containers or recipients holding alcoholic beverages without labels or binding straps, whether false or altered, whenever the legal possession of such goods is not certified.
- A provision would be added in order to establish that the goods or business activities of taxpayers, joint obligors or related third parties may be seized when initially

designated during the diligence stage of the precautionary seizure, even when they are subsequently ordered to be registered with other institutions, entities, registries or third parties.

Visits to the taxpayer's domicile

- A provision would be added whereby, if, when concluding the final tax audit report, the person receiving the visit or who participated in the inspection or witnesses refuse to sign the tax audit report, this refusal will be noted in the report, without affecting its validity or probative value, thereby concluding the visit.
- A provision is added whereby the tax authorities may utilize technological tools to obtain images or materials to demonstrate the goods and assets located at the fiscal domicile, which will be protected with discretion and confidentiality.

- Furthermore, these activities will take place in offices, warehouses, stores or wherever the related administrative activities are performed.

Sequential tax report review

- A provision would be added with regard to the filing of working papers, whereby the public accountant must appear before the tax authorities in order to provide any clarifications required in this regard.
- The review will be performed exclusively with the public accountant who prepared the report, without any legal representation.
- A provision is added whereby, when conducting an inspection, the tax authorities need not follow the order detailed in the provision when the inspection involves taxes or foreign trade government charges, including government charges derived from

the authorization or concession granted for the provision of handling, storage and custody of foreign trade goods, together with the respective foreign trade fines.

Electronic reviews

A provision would be added whereby the tax authorities must conclude the electronic review procedure within a maximum period of six months following the notification of the draft resolution, except in the case of foreign trade matters, when this period may not exceed two years, in those cases in which an international verification has been requested. Likewise, the deadline for concluding the electronic review procedure referred to by this paragraph will not be applicable when the authorities request the favorable opinion of the collegiate entity to which the principle regulating legal acts without a business reason refer.

Reserve of the taxpayer's information and data

It would be established that this reserve will not be applicable when the information request is made to investigate an event classified by law as an offense, as long as it is made by the Public Prosecutor and police.

Unlawful transfer of tax losses

- An additional assumption would be added to the presumption regarding the unlawful transfer of tax losses, whereby the taxpayer obtains tax losses and reports deductions, the settlement of which is covered by the subscription of credit instruments or any other legal figure, while the required obligation is settled through a form of payment other than those established in the LISR for deduction purposes.
- A provision would be added whereby, when the taxpayer makes declarations and submits

documentation considered pertinent for contesting the facts that led the authorities to issue a notification, it must indicate the purpose for which the legal acts that gave rise to the transfer of the right to deduct tax losses were performed, to enable the authorities to determine whether this transfer was essentially intended for the development of the taxpayer's business activity and not to obtain a tax advantage.

- Through the tax mailbox, taxpayers may request a single of 10-day extension to provide the information and documentation referred to by the preceding paragraph, as long as the extension request is filed within the initial 20-day period.
- Once the 30-day period following the publication of the list has concluded, if the taxpayer has failed to correct its tax situation, the tax authorities will be entitled to conduct an inspection, without detriment to any

penalties that might be applicable under the terms of the Code, while also considering that the transfer of the right to deduct tax losses under the terms of the provision constitutes a simulated act pertaining to the offenses established in the Code.

Conclusive agreements

- It would be established that taxpayers would be able to request the adoption of a conclusive agreement at any time once the inspection has started and within 15 days following the issuance of the final tax audit report and notification of the observations document or draft ruling, as the case may be, as long as the reviewing authority has determined the respective facts and omissions.
- It would be stipulated that the request to adopt a conclusive agreement would not proceed in the following cases:

A. Inspections performed to verify the origin of requests for the refund of recoverable balances or undue payments, according to the terms of the applicable provisions of the Code.

B. Inspections performed through verifications, according to the terms of the applicable provisions of the Code.

C. Acts derived from the individuals' fulfillment of rulings or sentences.

D. When 15 days have elapsed following the issuance of the final tax audit report and notification of the observations document or draft ruling, as the case may be.

E. In the case of taxpayers that have fulfilled the assumptions established for receiving notifications through their tax mailbox to make declarations and submit

the documentation and information deemed appropriate for contesting facts regarding the issuance of electronic invoices covering nonexistent transactions, as well as their inclusion on the list published in the DOF and on the SAT website as not having successfully challenged facts ascribed to them, thereby presumptively determining the nonexistence of transactions covered by CFDI's.

- A provision will be added whereby, in view of the conclusive agreements reached and subscribed by the taxpayer and authorities, the dispute resolution procedure contained in a tax treaty will not be applicable.

Foundation and justification for fines

- When imposing fines on taxpayers, the tax authorities would consider the failure to comply with the following obligations as an aggravating factor: obtaining support documentation regarding the agreement of

transfer pricing with foreign related parties; considering transfer pricing with related parties, filing master, local and country by country informative returns for a multinational business group; agreeing transfer pricing for transactions involving individuals; obtaining the transfer pricing documentation from foreign related parties for individuals with business activities; agreeing transfer pricing with foreign related parties; applying transfer pricing methods; the existence of a permanent establishment in Mexico for foreign residents maintaining legal relations with maquiladoras; the nonfulfillment of the transfer pricing requirements established for maquiladoras to avoid the creation of a permanent establishment by a foreign resident.

- If the fine is paid within the 30 days (45 days are currently allowed) following the date on

which notification of the ruling is issued to the taxpayer upon which the penalty is imposed, it will be reduced by 20% without the need for the authorities issue a new ruling.

Reduction of fines

The assumption would be eliminated whereby, in the case of the nonpayment of taxes due to noncompliance with the obligations detailed certain assumptions of the LISR, fines would be reduced by 50% of the amount established in the provision. A similar situation would apply to losses when compliance is not given to the terms of the applicable provisions and the fine is equal to between 15% and 20% of the difference obtained when declared tax losses exceed those actually obtained.

Fines applicable to the concession holders of a public telecommunications network in Mexico

A fine ranging from \$500,000.00 to \$1,000,000.00 would be imposed upon the concession

holders of a public telecommunications network in Mexico that, within a maximum five-day period, fail to comply with the order to block access to the digital provider of these services in conformity with the new provision of the LIVA. A similar penalty would be applied when the aforementioned concession holders fail to unblock this access within the deadline established by the other new provision. This penalty will also be imposed for each calendar month that elapses without compliance with these orders.

Presumption of smuggling

The presumption of smuggling will be deemed to exist when the taxpayer fails to return, transfer or modify the customs regime of temporarily imported goods according to the terms of the Customs Law.

Motion for reconsideration

The periods established for compliance with a

motion for reconsideration will begin once the 30-day (currently 45 days) period established for contesting this proceeding has elapsed, unless the taxpayer demonstrates that it has filed legal proceedings in this regard.

Tax liability guarantee

- A provision will be added whereby taxpayers may guarantee the tax liability in those cases involving the complete forgiveness of fines, suspension from the administrative procedure of execution (PAE) and extension granted for tax liabilities with installment payments, among other items, through an administrative seizure applied to tangible goods and real property, except for rustic land and business activities.
- Within the warranties established for tax liability purposes, letters of credit payable to the Federation would be added to guarantee the fulfillment of tax obligations. When these

instruments become due, the procedure contained in the Regulations of the Code would be applied.

- A provision will be added whereby notification of the seizure on credits will be directly provided by the tax authority to the debtors of the taxpayer subject to this measure, requiring them to provide information on the nature of their contractual relationship with the taxpayer. The failure to comply with this request within three days will result in the imposition of a fine ranging from \$330.00 to \$3,180.00 pesos.

Temporary Provisions

- In the case of refund procedures underway at the date on which the Decree becomes effective (January 1, 2021) and for which inspections have been started to verify the origin of the requested amounts, the respective ruling must be issued within the

deadline established by the CFF in effect prior to the enactment of this Decree.

- The precautionary seizure procedures applied to the goods or business activities of taxpayers or their joint obligors and the conclusion of this measure, which are awaiting rulings at the date on which this Decree becomes effective, must be substantiated and resolved according to the CFF in effect until December 31, 2020.

We invite you to consult the full Economic Package document by clicking on the [following link](#)

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