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Mexico's 2014 Tax Reform

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Mexico's 2014 Tax Reform

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Introduction to Mexico's 2014 Tax Reform

Mexico recently embarked on several highly anticipated structural reforms. The education reform has been approved by the Mexican Congress, and now the financial, energy, and telecommunications reforms are moving forward as well. All of these reforms seek to modernize important elements of the Mexican government and economy. Such sweeping reforms have been the subject of much debate. In order to implement the proposed reforms, various public policy efforts are moving forward. Broad reforms to Mexico's tax laws – a true tax reform – has been presented and passed, all for the purpose of restructuring the Mexican tax system and broadening the country's tax base.

Mexico's Congress took the lead in the discussion, amendment and approval of major changes to both direct taxes and consumption taxes, which has resulted in significant modifications to the nation's overall tax structure. A new Income Tax Law has been promulgated, while the Single Rate Business Tax (IETU) and the Tax on Cash Deposits (IDE) have been abrogated. The new Income Tax Law is designed to compensate for the fact that Mexican tax authorities will no longer collect the Single Rate Business Tax. In addition, the Federal Tax Code has been amended and supplemented to incorporate new methods which provide more efficient reporting procedures and seek to combat tax evasion. The Value Added Tax (IVA) has also been amended, and broadened, particularly in regard to application of the 16% general rate in all areas of the country, including border communities, and imposition of IVA on temporary importations of goods into Mexico, which under the new law will now be subject to the general rate of 16%. Such 16% IVA payment will apply even though Mexico will implement a certification program or mechanism to allow for credit of IVA that has been assessed on such temporary importations.

Another change pertains to Mexican customs brokers. Until now, most customs clearance transactions have been handled by customs brokers carrying out formal customs clearing transactions. New changes to Mexico's Customs Law cancel such monopoly so that customs transactions may now be handled by non-licensed brokers. New provisions also include a modernization of the electronic means of communication linking Mexican taxpayers and the tax authorities. It is hoped that such new system will facilitate various tax procedures which have, traditionally, proven to be prolonged and difficult.

A review and analysis of the new tax reforms approved by the Mexico's Congress follows, which the authors consider to be a major step forward in the modernization of Mexican tax policy, and Mexico as a whole. Cacheaux, Cavazos & Newton would be pleased to clarify or elaborate on the matters covered in this report, which are of the utmost importance to businesses and operations located in Mexico.

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1.- Income Tax Law (Ley del Impuesto Sobre la Renta or LISR).

The Mexican tax reform Decree includes a new Income Tax Law (Ley del Impuesto Sobre la Renta or LISR), which replaces the prior law enacted in 2002. In terms of its form and structure, the new law is quite similar to the prior law. However, given the wide array of reforms and new provisions sought by the executive branch, the President decided to propose to the Mexican Congress a completely new law, which would integrate all of such changes in an orderly and organized system. The comments presented below discuss the principal changes resulting from a comparison of the text of the prior 2002 income tax law with that of the newly approved law that will go into effect in 2014. Such comments will be limited, with few exceptions, solely to the effects of the new tax regime that will apply to Mexican entities and taxpayers residing abroad.

1.1 Art. 1 LISR. Taxpayers Subject to the Tax. This article confirms the basic structure of Mexico's income tax system, through which Mexican tax residents are subject to income taxation on all of their income, on a worldwide basis. Taxpayers residing abroad are considered to be taxpayers in Mexico with respect to income from a taxable source of wealth located inside Mexico, or for taxable income attributable to their permanent establishments located in Mexico.

1.2 Art. 4 LISR. Benefits related to International Tax Treaties. This provision contains a second paragraph stating that with respect to transactions between related parties, Mexico's tax authorities may request foreign residents to demonstrate the existence of international double taxation in cases in which a tax treaty benefit applies in Mexico, showing the legal and documentary elements necessary to evidence that an occurrence of double taxation truly exists.

1.3 Art. 5 LISR. Crediting Income Taxes Paid Abroad. This provision has been substantially modified in order to be consistent with similar provisions governing international tax credits in many other countries. Firstly, the new law establishes the limit of tax credits, by country. The law also includes new rules allowing calculations of tax credits to include corporate taxes paid at both the primary corporate and secondary shareholder levels. With the introduction into Mexican law of a new tax on dividends, new rules have been included to eliminate the double tax that would be caused from the payment of Mexico's new dividends tax and other foreign income taxes. In addition, the new law provides that all foreign taxes regulated by international treaties to avoid double taxation will be treated as income taxes, which will be creditable against income taxes paid in Mexico. The law contains very specific formulas for calculating international tax credits.

1.4 Art. 9 LISR. Corporate Tax Rate. Beginning January 1, 2014, the final and permanent Mexican corporate income tax rate will be 30%, which eliminates the gradual rate reductions to 29% and 28% established in the previous 2002 law.

1.5 Art. 9 LISR. Calculation of Taxable Income for Purposes of Computing Employee Participation in Employer Profits (PTU). Mexico's Supreme Court has declared as unconstitutional the procedure for determining the amount of taxable income

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used to calculate employee PTU profit sharing payments previously contained in the LISR of 2002. The new LISR establishes a simpler mechanism which comports with Mexican constitutional requirements. Calculations of PTU profit sharing payments must be made taking into account income received during the fiscal year, and will be reduced according to deductions authorized in the new law. However, neither PTU profit sharing payments made to employees during the employer's fiscal year, nor pending net operating losses from prior years, may be used by the employer to decrease the PTU profit sharing income base. Further, taxpayers will be required to deduct from taxable income those non-deductible amounts representing exempt income for employees, as discussed in Section 1.12 below.

1.6 Art. 14 LISR. Provisional Tax Payments. For purposes of calculating the profit coefficient applicable to the most recent 12-month fiscal year, the immediate deduction of investments on new fixed assets that had previously been available has now been eliminated, given that such immediate deductions have been completely eliminated from the new LISR.

1.7 Art. 22 LISR. Taxable Profits from Sales of Shares. The LISR of 2002 established an alternative method for calculating taxable income received from a transfer of shares, depending on whether the holding period of the shareholder was longer or shorter than 12 months. Now, the new law provides a single mechanism for calculating the tax, which considers a series of factors in order to determine the original cost basis. The new procedure for calculating taxable profits from sales or transfer of shares, and its various factors, will continue to be complex under the new LISR.

1.8 Art. 25(VI) LISR. Deductibility of Social Security Payments Made for Employees. An important change in the new LISR states that, beginning in 2014, if an employer pays the employee portion of Mexican Social Security premiums on behalf of its employees, such payments will not be deductible by the employer. Now, the only Social Security payments that will be deductible will be those corresponding to the employer portion of Social Security premiums. In addition, note that employers will also be able to deduct premium payments required under the new Unemployment Security Law (Ley del Seguro de Desempleo).

1.9 Art. 25(X) LISR. Employer Contributions for the Creation or Increase of Pension or Retirement Reserve Funds for Employees and Seniority Bonuses. Beginning in 2014, these contributions will be deductible only up to 47% of the amount contributed by the employer. Such percentage will increase to 53% if the employer's welfare benefits paid to its employees, which represent exempt income for such employees, have not decreased during the immediately prior calendar fiscal year.

1.10 Art. 28(XIII) LISR. Vehicle Leasing. Now, taxpayers may deduct only up to $200 Pesos, daily, for vehicle leasing expenses (approximately US$15.38 Dollars).

1.11 Art. 28(XXIX) LISR. Lack of Tax Consistency. Double Deductibility. A very important change incorporated into the new LISR provides that payments made by

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companies will not be deductible when the same payments are also deductible for a related party residing in Mexico or abroad, unless the related party deducting the payment also recognizes such income in the same, or following, tax year.

1.12 Art. 28(XXX) LISR. Lack of Tax Consistency. Payments to Employees. This new change is also based on principles of tax consistency in the sense that all payments that are deductible by a taxpayer must, at the same time, represent taxable income for another taxpayer, in order to avoid a general erosion in tax collections, which is to say, to avoid causing a negative fiscal impact by improperly reducing tax revenue. In this case, companies will be affected by the change because, starting in 2014, all payments that would represent exempt income for their employees, including social welfare payments such as food coupons, contributions to savings funds, medical expense reimbursements, payments of life insurance premiums of employees, and other social welfare payments of a similar nature, will be deductible only in an amount of 47% of the amount paid by the employer. If the employer does not decrease such social welfare benefit payments to its employees as compared to the prior year, the employer will be able to deduct 53% of the amount or value of such social welfare payments. Work tools and other work related implements provided by employers to their employees should not be subject to these limitations.

1.13 Art. 28(XXXI) LISR. Lack of Tax Consistency in Payments between Related Parties. Beginning in 2014, payments made by a foreign related party for interest or royalties will not be deductible if (i) the foreign entity receiving the payment is subject to taxation pursuant to pass-through provisions in accordance with the rules of preferential tax regimes (tax haven jurisdictions) regulated by the LISR; or (ii) the payment is considered *nonexistent* for tax purposes in the country of residence of the foreign entity; or, finally, (iii) said foreign entity does not recognize such payment as taxable income.

1.14 Art. 36(II) LISR. Investments in Vehicles. Investments in vehicles will be deductible only up to the amount of $130,000 Pesos (approximately US$10,000 Dollars).

1.15 Arts. 59 to 71 LISR. Optional Tax Regime for Consortiums. With roots in the elimination of the consolidated tax regime provided in the LISR of 2002, and as discussed below, the new LISR establishes another mechanism for group taxation, with methods and purposes that are very different to those previously applicable in the tax consolidation regime. In the new law, the *consolidation* of tax results of various controlled companies is not allowed; instead, such new law allows for the deferral of income tax imposed on taxpayers which form part of a larger group for a period of up to three (3) years. In order to determine the deferred tax, one may take into account only the taxable profits and losses of the companies comprising the group, which group must have at least 80% of common ownership and control. An integrated or compiled tax result may be obtained by combining the results of the companies making up the group, and then computing income taxes to be paid and those which may be deferred. Such tax groups may not include companies with tax losses utilized to avoid the dilution of profits earned by other companies in the group, as occurred in the prior tax consolidation regime. The deferral of income tax is conditioned on companies which make up the group not

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declaring dividends or profits that do not originate from such companies' CUFIN accounts (accounts containing net profits that have already been subject to corporate income taxes). The new method of allowing group reporting seeks a simplification in the administration of group corporate taxation in order to enable such groups to compete internationally and, at the same time, seeks to make it easier for Mexican tax authorities to review and examine such groups' activities. In order to avoid tax planning strategies and not to receive unjustified additional tax benefits, the following taxpayers may not make this election: (i) companies operating in Mexico's financial services system, (ii) IMMEX program (Maquila) companies, and (iii) non-profit entities.

1.16 Arts. 72 and 73 LISR. Coordinated Services Companies. A new tax regime has been established for companies dedicated to administering and operating assets and real property, as well as companies that provide cargo or passenger transportation services. This provision seeks to improve the efficiency of the portions of the Mexican tax system that apply to businesses with very specific purposes and activities.

1.17 Arts. 74 and 75 LISR. Tax Regime Applicable to Agricultural, Ranching, Forestry and Fisheries Activities. Based on the highly specialized nature of companies dedicated to these activities, such companies will be required to comply with standard Mexican income tax obligations in accordance with special rules established in these provisions of the LISR.

1.18 Art. 129 LISR. Income Tax on Profits from the Sale of Shares Traded on Public Securities Markets. Beginning in 2014, profits received by individuals from the sale of shares issued by Mexican or foreign companies, and traded on recognized public stock exchanges and markets, will be subject to a 10% income tax.

1.19 Art. 140 LISR. Income Tax on Payments of Dividends and Profits. Individual shareholders will now be required to pay income tax upon receiving dividends and profits distributed by companies which are Mexican tax residents. The income tax rate applicable to such dividend payments will be 10%, and will be withheld by the Mexican tax resident making the dividend payment.

1.20 Art. 152 LISR. Individual Income Tax Rates. The new income tax rate is 35% for all individual Mexican taxpayers who receive taxable income greater than $3,000,000.00 Pesos (approximately US$230,000.00 Dollars) during each tax year.

1.21 Art. 153 LISR. Foreign Pension and Retirement Funds. New limitations have been established on pension and retirement funds regarding the past exemption of income arising from capital gains from the sale of shares of companies whose value comes mainly from real estate and real property improvements located in Mexico. The new rules state that any tax exemption for sales of such shares will be available only after the underlying real property has been leased for a minimum term of four (4) years. In addition, the exemption for profits received from the sale or transfer of real property by investment funds has been eliminated when said funds earn profits from business or

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development activities carried out within Mexico, due to the fact that such pension or retirement funds are not authorized to conduct business activities in Mexico.

1.22 Art. 164 LISR. Taxes on Dividend and Profit Payments to Foreign Tax Residents. Foreign tax residents will now be required to pay income tax on the receipt of dividends and profits made by companies residing in Mexico. The tax will be 10% and will be withheld by the Mexican tax resident company making such payment. Such tax will at all times be limited by, when applicable, the provisions of international double taxation treaties.

1.23 Art. 167 LISR. 25% Withholding on Transfers of Items Subject to Royalties. Beginning in 2014, payments for the sale or transfer of patents, trademarks, commercial names, copyrights, formulas and industrial procedures, industrial equipment, transfers of technology and other similar concepts will be subject to a 25% income tax withholding, deemed for tax purposes as temporary use or enjoyment of intellectual property subject to royalties, when the sale or transfer is conditioned on the productivity, use or final disposition of the same intellectual property or intellectual property rights. This provision applies notwithstanding the different treatment given to royalty payments under the OECD Model Treaty on double taxation.

1.24 Art. 181 LISR. Maquiladora Export Industry. IMMEX Companies. Beginning in 2014 the tax regime applicable to maquiladora companies will be substantially modified, with a combination/elimination of other decrees which have, in the past, granted benefits to this industry (including an elimination of the decree issued by President Vicente Fox which reduced the tax base of maquiladoras). The new law also eliminates the single rate business tax (IETU) and any benefits available under other IETU decrees. Going forward, the effective tax rate for maquiladoras will be 30%. In order for the parent company of a Mexican maquiladora to avoid being considered to have a permanent establishment in Mexico (and therefore be subject to payment of income tax in Mexico), the Maquila company and its activities under its IMMEX license will be required to comply with the following ten requirements: (i) it must carry out maquiladora activities under an IMMEX license; (ii) with respect to which it temporarily imports merchandise that is part of the production process; (iii) that it physically exports all of its temporarily imported products (virtual customs transfer-export transactions also qualify); (iv) the merchandise must be owned by the foreign company with which the Maquila company executed the Maquila services agreement and, as an exception, may be owned by a third party only when a commercial relationship exists with the foreign company that executed the Maquila services agreement; (v) the activities of the maquiladora are related to transformation of merchandise in accordance with the particular definition included in the LISR (which is different from the definitions included in the IMMEX Decree); (vi) all of the income of the maquiladora must come exclusively from its maquiladora activities; (vii) merchandise of Mexican or foreign origin that was not temporarily imported must be exported or returned in its totality, together with all Maquila assembled or manufactured products; (viii) production processes are carried out with equipment owned by the foreign company with which the Maquila company executed the Maquila services agreement, the value of which must represent at least 30% of the total value of machinery and equipment

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used by the maquiladora in its industrial processes, with the possibility to supplement industrial equipment owned by other third party companies with which the foreign company that executed the Maquila services agreement has a commercial relationship, or with the maquiladora's assets or assets leased by unrelated third parties; (ix) no benefits will apply in cases when the maquiladora carries out transformation or repair activities on merchandise to be sold in Mexico which is not considered or treated as an export transaction supported by an export declaration (pedimento); and (x) it complies with all of the transfer pricing rules mentioned below. These are strict requirements, many of which now exist in the IMMEX Decree, and which will be interpreted very rigidly, so that many maquiladora operations will no longer qualify for the permanent establishment exemption that their foreign parent companies have traditionally enjoyed. Each maquiladora operation should carefully analyze the new requirements in order to ensure compliance with all these new requirements.

1.25 Art. 182 LISR. Transfer Pricing Rules for Maquiladora Companies (IMMEX Program Companies). Despite the fact that the LISR contains various methods to comply with Mexico's transfer pricing requirements, the only way maquiladora (IMMEX) companies will be able to comply with such transfer pricing requirements is through: (i) the adoption of the *safe harbor rules*, consisting of a determination of taxable income (tax base), which serves as the basis for computing income tax, subject to a regular tax rate of 30%. Such tax base is comprised of the greater of (a) 6.9% of the total value of assets utilized in the Maquila operation; or (b) 6.5% of the total amount of costs and expenses of the Maquila operation; or (ii) an application for, and acquisition of, their own transfer pricing ruling from the Mexican tax authorities, in accordance with the terms of applicable Mexican tax laws. Maquila operations which qualify under the LISR, but which also carry out activities distinct from their maquiladora processing operations, may take advantage of the rules established in this article solely with respect to activities related to such maquiladora operations.

1.26 Art. 183 LISR. Operations Carried Out through Shelter Operations. This sector, which in the past has been poorly understood by Mexico's tax authorities, now will be subject to a disadvantageous tax regime. Such tax authorities have for years enacted temporary, transitory provisions to regulate the shelter industry. Finally, a permanent regime has been established for shelter operators and their foreign clients under the LISR, but such new regulations leave open many areas regarding the tax treatment applicable to these types of companies and their foreign clients. In accordance with the new tax system, shelter clients will not be considered to have a permanent establishment in Mexico (and therefore not be subject to payment of income tax in connection with value added to their products manufactured in Mexico), so long as the Mexican shelter operators performing work on their behalf comply with the timely delivery of information required by law, and also comply with the requirements established in this provision of the LISR. However, a limitation has been established in the new law which states that foreign clients of the shelter operator may remain with such shelter operator, without creating a permanent establishment in Mexico, for a maximum term of four (4) years. Even though the new law does not specify this, one should conclude that current clients of shelter operators which signed shelter contracts prior to 2014 will have at least four (4)

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years to continue operating with the permanent establishment exemption, as of the effective date of the new LISR, January 1, 2014. Upon the completion of such four (4) year period, clients of shelter operators will be required to (i) register their permanent establishments in Mexico and pay corresponding Mexican income tax for operations occurring in Mexico, (ii) leave the shelter operating arrangement and establish their own Mexican maquiladora (IMMEX) companies, (iii) restructure their shelter agreements so that the shelter operator manages a newly created maquiladora company owned by the client, or (iv) otherwise restructure their shelter operations according to the terms of the LISR and avoid the creation of a Mexican permanent establishment.

1.27 Arts. 187 and 188 LISR. Tax Incentives. Trusts for the Acquisition or Construction of Real Estate Developments (FIBRAS). With certain changes, the new law has preserved the preferential tax regime applicable to FIBRAS. The prior regime that existed for Mexican real property development companies (SIBRAS) has been eliminated effective January 1, 2014.

1.28 Art. 191 LISR. Tax Incentives. Taxpayers Dedicated to the Construction and Sale of Real Estate Developments. A tax incentive structure remains in place for these types of taxpayers, provided such comply with specific requirements in the law, which allows for the deduction of real property acquisition costs in the same fiscal year such taxpayers acquire real property.

1.29 Art. 192 LISR. Tax Incentives. Investment Trusts Dedicated to Risk Capital in Mexico. A tax incentive structure has also been preserved for investors who invest in shares of privately held Mexican companies not quoted on the Mexican stock exchange, through real estate trusts that have as their primary purpose investment in Mexican domiciled companies not listed on the Mexican stock exchange.

1.30 Art. Ninth. Transitory Provisions of LISR. Paragraphs (XV, XVI, XVII, XVIII and XIX). Tax Consolidation. As noted above, the tax consolidation regime contained in the LISR of 2002 has been eliminated, given that such transitory provisions provide the conditions for disaggregating consolidated groups which have, until now, been authorized to operate in a consolidated tax regime. The prior consolidated tax regime, which was the source of many different tax strategies to defer Mexican income tax, will now pass into Mexico's tax history. The rules for unwinding consolidated tax groups are complex and seek to provide two alternatives for calculating deferred taxes applicable to companies as of December 31, 2013, as well as a payment mechanism that provides a five (5) year term for paying deferred income tax. Companies operating within the obligatory five (5) year tax payment period, in accordance with the prior tax consolidation regime, may continue applying the tax consolidation rules of the 2002 LISR during such five (5) year period. At the conclusion of the five (5) year period, companies within the consolidated tax group will be required to calculate and pay the deferred tax applicable as of such date, pursuant to the installment payment structure provided in the transitory provisions of the LISR.

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1.31 Art. Ninth Transitory of LISR. Immediate Deductions. Paragraph Income Tax Law (XXXIV). Immediate Deductions. The tax benefit of being able to immediately deduct investments in new fixed assets that was contained in the 2002 LISR has been eliminated. The new provision establishes transitory rules related to the elimination of this tax benefit.

1.32 Elimination of Art. 90 from the 2002 LISR. Estimates of Taxable Profits. The new LISR eliminates rules that previously allowed the tax authorities to take certain factors into account for purposes of estimating taxable profits for certain taxpayers. These rules have been transferred to Mexico's Federal Tax Code (Código Fiscal de la Federación).

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2.- Value Added Tax Law (Ley del Impuesto al Valor Agregado or LIVA).

The 2014 tax reform Decree includes important amendments to Mexico's LIVA, particularly relating to the treatment, crediting and triggering of the Value Added Tax (Impuesto al Valor Agregado or IVA) for temporary importations by companies registered to operate in the Manufacturing, Maquiladora, and Exportation Services Industry Program (IMMEX). The reformed LIVA also contains important changes affecting tax deposits paid by automotive industry companies for the assembly and manufacturing of vehicles (Automotive Deposits); regarding the treatment of bonded warehouses used for the preparation, transformation or repair of merchandise (Bonded Warehouses); and strategic bonded warehouses (REFIS). Finally, reforms to the LIVA provide for equalization of the 16% rate throughout all of Mexico, completely repealing the 11% rate in effect for the border region, and eliminating many activities which for years have been subject to a 0% IVA rate.

The comments and observations stated below regarding the LIVA reforms apply mainly to those companies that are directly impacted by the daily operations of businesses participating in the industrial, services, commercial and import/export sectors. This report will focus generally on for-profit business activities and exclude references to changes that will impact individual taxpayers. Further, the discussion below does not include references to changes to taxpayer obligations regarding accounting and tax matters, and the omission of supporting documents.

The following are the most relevant amendments to the LIVA:

2.1 Art. 1-A(IV) LIVA. Repeal of Retention for National IMMEX Suppliers. Effective January 1, 2014, the obligation for IMMEX companies to retain IVA passed on by the national suppliers with respect to transfers of goods has been eliminated.

2.2 Art. 2 LIVA. Repeal of 11% Rate for the Border Region. As of January 1, 2014, the 11% IVA rate currently applicable in the entire border region of northern Mexico is set to be repealed, which includes the entirety of the states of Baja California, Baja California Sur and Quintana Roo, as well as certain specific areas of Sonora (Border Region). This implies an equalization of the 16% IVA rate throughout all of Mexico for any conveyance, importation, service, and lease of property in Mexico.

2.3 Art. 2-C LIVA. Repeal of Estimated IVA for REPECOS (Regime for Small Taxpayers). As of January 1, 2014, the provision that previously facilitated the calculation of the tax basis for IVA to be paid by REPECOS, which was based on estimates, has been repealed. Because the REPECO regime was repealed in the newly enacted 2014 Income Tax Law, as a consequence, the same occurs with respect to the LIVA.

2.4 Art. 9 Final Paragraph LIVA. Transfers within REFIS (Strategic Bonded Warehouses). As of January 1, 2014, transfers of goods subject to the REFIS regime will not be exempt from IVA; instead, such transfers will trigger IVA of 16%, even when the goods are not removed from the REFIS.

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2.5 Art. 29(VII) LIVA. Hotel and Related Services for Foreigners. As of January 1, 2014, the 0% IVA rate on lodging, hotel and related services rendered by hotel companies in their facilities, and land transportation to and from their facilities rendered for the benefit of foreign residents, irrespective of their immigration status in Mexico, has been repealed. Such services will now trigger the payment of IVA at a rate of 16%.

2.6 Art. 1-C LIVA. Financial Factoring. This provision did not undergo a substantial change, except for the fact that now the IVA rate has been equalized and is payable in cases such as those mentioned in sections IV, V and VI, at the rate of 16%, which means the 11% IVA rate has been repealed in all cases involving financial factoring.

2.7 Art. 5(I) LIVA. Immediate Deduction of VAT on New Fixed Assets. As noted above, effective January 1, 2014, the ability of taxpayers to immediately deduct the cost of investments in new fixed assets has been repealed in the new Income Tax Law. Consequently, IVA paid on new fixed assets may not be credited by the payor, either totally or partially.

2.8 Art. 9(IX) LIVA. Transfers of Temporarily Imported Goods.– The transfer/acquisition of goods between foreign tax residents will continue to be exempt from IVA, even when the transferred goods are physically located in Mexico. This will be the case only when said transferred goods enter Mexico under the temporary importation regime of a maquiladora (IMMEX), under Automotive Deposit, under Bonded Warehouse, or under REFIS, and also when such goods are exported. Nevertheless, as of January 1, 2014, the sale or conveyance of goods by foreign tax residents to maquiladora companies (IMMEX) or REFIS will trigger IVA at a rate of 16%.

2.9 Art. 11 LIVA. Deficiencies on Inventory and Gifts. As of January 1, 2014, taxpayers that reflect deficiencies in inventory will be subject to paying IVA at a rate of 16%, with such being triggered as of the time such taxpayer, or the tax authorities, become aware of the deficiency in inventory, whichever occurs first.

With respect to gifts, as of January 1, 2014, non-monetary in-kind gifts will be subject to payment of IVA at the rate of 16%, with such IVA being triggered at the time the gifted property is delivered, or its respective title document is issued in order to transfer ownership, whichever occurs first.

2.10 Art. 15(V) LIVA. Public Transportation. As of January 1, 2014, only public ground transportation within urban, suburban or metropolitan areas will be exempt from IVA.

2.11 Art. 15(X) subsection (b) LIVA. Financial Interests. Subject to numerous conditions, savings and loans cooperatives, community financial initiatives and community-based financial institutions, as well as rural financial institutions, will be exempt from the payment of IVA for interest paid to or received from their members or

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customers. Certain government financial institutions and government trusts have also been included for purposes of this exemption.

2.12 Arts. 24(I), 25(I and IX), 27 and 28 LIVA. Temporary Importation and Change of Regime.- IMMEX, Automotive Deposits, Bonded Warehouses and REFIS. Subject to the issuance of certain certification rules (Certification Rules) by the Mexico's Tax Administration Service (SAT), all temporary importations made by maquiladora companies (IMMEX), as well as importations into Automotive Deposits, Bonded Warehouses or REFIS, will be subject to payment of IVA at a rate of 16%. This reform will become effective one year after the Certification Rules have been issued by the Mexican government. Therefore, the corresponding IVA payment will not be due until such time.

Additionally, changes to the permanent importation regime for goods previously imported on a temporary basis by a maquiladora company (IMMEX), Automotive Deposit, Bonded Warehouse or REFIS will be exempt from the payment of IVA, as long as the change to the permanent importation regime for such goods, or the merchandise created with such goods, is performed by the same party who originally imported the goods on a temporary basis.

Finally, calculations of IVA triggered by a temporary importation must be made using the same tax base and value as if such importation were being made on a permanent basis, with IVA being payable at the time the importer presents customs documents to obtain the release of the imported goods.

2.13 Art. 28-A LIVA. New IVA Tax Credit for Temporary Importations.- IMMEX Companies, Automotive Deposits, Bonded Warehouses and REFIS. A new mechanism for handling IVA in temporary importations has been introduced, which is available only to maquiladora companies (IMMEX), Automotive Deposits, Bonded Warehouses or REFIS that possess required certifications in accordance with the Certification Rules to be promulgated by the SAT.

This new mechanism consists of paying the IVA triggered by a temporary importation of goods into Mexico, by applying a tax credit reflecting 100% of the IVA caused by such importation (IVA Credit).

The benefits of the IVA Credit for temporary importations will be available primarily to maquiladora companies (IMMEX), Automotive Deposits, Bonded Warehouses or REFIS that have complied with the SAT's Certification Rules. For those maquiladora companies (IMMEX), Automotive Deposits, Bonded Warehouses or REFIS that do not obtain certification, or who desire to comply with the Certification Rules, the IVA Credit mechanism will continue to be available, but only through means of a bond issued in favor of the SAT guaranteeing the payment of IVA triggered by the temporary importations in question. The terms and conditions to be required by the SAT for accepting such bonds are pending publication.

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The IVA Credit and the rules governing its application will become effective one year after the Certification Rules have been issued by the SAT. Therefore, until such time, the obligation to pay the tax and, its respective credit described above, will remain in effect.

It is possible that companies currently in possession of SAT certifications issued pursuant to the New Scheme for Certified Companies (NEEC) will receive the benefit of an automatic IVA Credit, and also that the Certification Rules to be issued by the SAT will be similar to those currently in effect for the NEEC authorization. Nevertheless, it will be necessary to await publication of the terms of such Certification Rules in order to know their exact contents.

2.14 Art. 30 LIVA. Credit for Returns.- IMMEX, Automotive Deposits, Bonded Warehouses, and REFIS. An IVA Credit will also be available to maquiladora companies (IMMEX), Automotive Deposits, Bonded Warehouses or REFIS with respect to their temporarily imported goods, when such goods are returned by such maquiladora companies (IMMEX), Automotive Deposits, Bonded Warehouses or REFIS to a foreign country.

This article will become effective one year after the Certification Rules are issued.

2.15 Art. 29(VI) LIVA. International Transportation of Goods and Cargo. The same exemption from the payment of IVA that applied to international air transportation of persons, will apply, upon the same terms and conditions, to the air transport of cargo.

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2.16 Border Region. Transitory Provision LIVA. In general terms, the reforms to the LIVA will be applicable and implemented throughout all of Mexico effective January 1, 2014, including the general application of the new 16% IVA rate in the Border Region. Such new rate will apply even in cases in which contracts or other continuing obligations exist, and even when such obligations were entered into prior to the effective date of the reform.

The reform includes only one exception in which the IVA may be paid at a rate of 11%, or 0%, as applicable, after January 1, 2014. Such exception applies exclusively to the conveyance of goods, rendering of services, leasing of goods and certain acts and activities arising from contracts and goods, acts, activities and services delivered prior to January 1, 2014, which have been invoiced at a lower IVA rate (11% or 0%), and for which payment of the tax is pending. In such specific cases, the rate of 11% or 0% will apply if the balance is paid within the 10 days following the effective date of the reform.

As of January 1, 2014, it will no longer be possible to invoice at a rate of 11% or 0%, as applicable, in the Border Region.

The foregoing does not apply to charges and payments in the Border Region between related parties; in those cases, the parties should invoice and pay IVA at the rate of 16%, beginning January 1, 2014.

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2.17 Hotel Services. Transitory Provision LIVA. With respect to hotel and related service contracts entered into prior to September 8, 2013, individual foreign tax residents may continue to be exempt from the payment of IVA for lodging, hotel transportation and related services during the first six (6) months of 2014.

2.18 FIFO Temporary Inventory. Transitory Provision LIVA. Based on the inventory control principle of First In, First Out (FIFO), Mexico's Congress decided to resolve the problem that would exist with respect to IVA to be paid, when the combination occurs with respect to the same merchandise subject to permanent importation (post-reform) with generic supplies imported on a temporary basis, both pre-reform and post-reform.

In cases in which merchandise imported on a permanent basis incorporates generic supplies imported on a temporary basis, pre-reform (without payment of IVA upon importation), the IVA triggered should be paid based on the merchandise imported on a permanent basis, as was the case under the pre-reform LIVA, irrespective of the proportion of post-reform supplies that the final merchandise may contain. This is because it is assumed that with FIFO inventory control system, the majority of the supplies incorporated will be pre-reform supplies for which IVA was not paid upon such supplies' importation.

This transitory does not include a specific time period. Therefore, one may assume that it will be implemented during the entire period required to deplete all of the inventory of supplies, parts, component parts and raw materials that may have been imported temporarily at any time prior to the anniversary of the issuance of the Certification Rules by the SAT (pre-reform).

2.19 IMMEX IVA Credit and Certification. Transitory Provision LIVA. It is important to review and understand the following: (i) what items specifically correspond to the IVA Credit; (ii) how to make calculations for purposes of determining payment of IVA for FIFO inventory, pre-reform and post-reform combined; (iii) the impact of reforms and additions to articles 24 section I, 25 section I and IX, 27, 28, 28-A and 30 of the LIVA; and (iv) in general, the entire impact that temporary importations and the payment of IVA may now have, as of this new reform, on maquiladora companies (IMMEX), Automotive Deposits, Bonded Warehouses or REFIS, none of which will become effective until one year has elapsed from the time the SAT issues the Certification Rules.

In other words, the details discussed in sections 2.12, 2.13, 2.14 above, and the preceding Transitory subsection 2.18, will not become effective until one year following the SAT's issuance of the Certification Rules.

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3.- Customs Law (Ley Aduanera).

The new reforms to the Mexican Customs Law formally incorporate changes that have been implemented since the Mexican government created the One-Stop International Trade Portal (Ventanilla Única de Comercio Exterior or VUCEM), which allows taypayers to submit information electronically in order to comply with all international trade requirements. Consequently, the modifications to the Customs Law include various definitions and concepts intended to facilitate international trade and streamline the exchange of information between taxpayers and the authorities. The main changes to the Customs Law are as follows:

3.1 Arts. 2, 3, 6, 20, 36, 36-A, 37, 37-A, 39 and 146 Customs Law. Electronic Systems, One-Stop International Trade Portal and Electronic Receipt Evidencing Proof of Customs Filings (Comprobante de Valor Electrónico or COVE). The Customs Law reform includes definitions and specifications regulating the electronic transmission of information, electronic transactions carried out before various governmental authorities, and the use of the VUCEM one-stop portal.

3.2 Arts. 9 A through 9 E Customs Law. Electronic Notices. A new chapter on electronic notices has been included. Electronic notices will have full legal effects on individuals and entities conducting transactions through the electronic customs system. This is consistent with multiple reforms to other laws regulating notices by electronic mail and the official recognition of such electronic communications.

3.3 Art. 10 Customs Law. Customs Clearance of Goods at Locations other than those Authorized. The Customs Law now establishes that Mexico's Tax Administration Service (Servicio de Administración Tributaria or SAT) has the capacity to authorize importers of goods to clear customs at ports of entry other than those previously authorized, not only when such goods cannot be cleared through authorized locations due to their nature or volume, but also for purposes of efficiency and ease of clearance.

3.4 Arts. 11, 106 V Subsection (e) and 107 Customs Law. Railway Transport. The transport of goods via railway is expressly recognized in order to promote railway expansion in Mexico. Similarly, the Customs Law will now authorize the temporary importation of locomotives, railcars and related specialized equipment for up to ten (10) years.

3.5 Arts. 40, 53, 59-B, 81, 82, 91, 98, 127, 131 and Others of The Customs Law. Direct Clearance of Goods through Customs Representatives (Representante Aduanal). Under certain circumstances, importers now have the option of conducting all customs clearance of goods themselves, without utilizing a Mexican customs broker. Various articles of the Customs Law have been amended in order to be consistent with such option. Entities choosing to conduct customs clearance of goods on their own must do so through a legal representative who meets the following requirements: (i) be a physical person of Mexican nationality, (ii) be current in the payment of his/her tax obligations, (iii) provide evidence of an employment relationship with the importer/exporter, and (iv)

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provide evidence of experience in or knowledge of the subject of international trade. Such representative will be personally responsible for all importations, as well as be jointly and severally liable for such transactions with the entity he/she represents.

3.6 Art. Third Transitory of the Customs Law. Under the new provisions to the Customs Law, the SAT must publish detailed provisions applicable to direct customs clearance of goods no later than one year following the date the reforms to the Customs Law take effect.

3.7 Repeal of Second Section, Sole Chapter of Title Seven Named On In-House Customs Brokers (Apoderados Aduanales) and Adjustment of other Articles of the Customs Law. The in-house customs broker concept has been eliminated given that direct customs clearance of goods will now be allowed through the appointment of customs representatives.

3.8 Art. Fifth Transitory of the Customs Law. Authorizations for in-house customs brokers remain in effect until the cancellation, termination or revocation of their authority, with the repealed provisions being applicable to such individuals and situations until their authority has been terminated.

3.9 Elimination of the Substitute Customs Broker Concept. All articles in the Customs Law that make reference to the concept of a substitute customs broker have now been repealed.

3.10 Elimination of Reference to Customs Attorneys-in-Fact (Mandatarios Aduanales). The reference in the Customs Law to customs attorneys-in-fact (mandatarios aduanales) has been eliminated in order to avoid confusion with the customs representatives (representantes aduanales) discussed above, who will now serve as the official party to carry out direct customs clearance operations on behalf of their principals.

3.11 Art. 14-D Customs Law. Duty-Free Zone throughout Mexican Territory. The SAT is now authorized to make real property eligible to receive the importations of goods under the strategic warehouse duty-free zone (REFIS) regime, within the jurisdiction of any customs brokerage house.

3.12 Art. 16-A Customs Law. Authorization for Electronic Pre-validation Services. The SAT may authorize interested parties who meet certain requirements to provide electronic pre-validation services for purposes of Mexican customs entries.

3.13 Arts. 20 X, 129 and 186 IV Customs Law. Registry of Carriers. Under the new provisions to the Customs Law, transportation carriers are now required to register with the new registry that has been established by the SAT for such purpose, and to designate a representative in Mexico. Transportation carriers registered with such registry will be jointly and severally liable for any failure to pay applicable taxes and fees arising from the transportation of goods.

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3.14 Arts. 43, 45, 46, 79, 144 and 144-C Customs Law. The Second Customs Inspection has Been Eliminated and Inspection by Non-Intrusive Technology Is Now Established. By eliminating the second customs inspection in Mexico, the use of non-intrusive technology has now been established to allow Mexican customs and tax authorities to conduct the inspection, verification and recognition of goods entering Mexico. This type of inspection has now been incorporated into the general power of the authorities in accordance with the Customs Law.

3.15 Art. 89 Customs Law. Corrections of Customs Declarations. The list that established the cases in which customs entry and exit declarations could not be modified has been eliminated and substituted with references to the cases in which authorization from the SAT is required to make a correction in such declarations, in accordance with the Rules to be established for such cases.

3.16 Arts. 93 and 101 Customs Law. Regime Changes and Validation of Goods. New provisions in the Customs Law establish with greater certainty the possibility of changing the applicable customs regime and validation of goods. This is true notwithstanding the customs regime under which the goods were initially imported, or whether such goods were imported under an IMMEX program. In addition, the Customs Law now expressly provides for the validation of temporarily imported goods which have exceeded the term such goods to be returned to their foreign point of origin.

3.17 Art. 155 Customs Law. Four-Month Term to Issue a Final Resolution. The Customs Law now establishes that the four-month term given to the authorities to issue a final resolution in customs administrative proceedings (Procedimientos Administrativos en Materia Aduanera, PAMA) will begin to run once the case file has been duly completed, and not as of the date of attachment of the goods.

3.18 Arts. 184-A and 184-B Customs Law. Violations related to the Obligation to Declare the Value of Goods. A new set of violations and fines has been established with respect to the declaration of incorrect, incomplete or false information regarding the value and description of goods being imported into Mexico.

3.19 Art. 199 Customs Law. Reduction of Fines by 50%. This new provision establishes a reduction of customs fines when such fines do not arise from a failure to pay customs duties, when prejudgment attachment does not occur, and as long as any such fines are paid prior to delivery of formal notification of the respective resolution.

3.20 Art. First Transitory Customs Law. The Decree that Reforms, Adds to and Repeals various provisions of the Customs Law will take effect on the day following its publication in the Official Journal of the Federation.

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4.- Federal Tax Code (Código Fiscal de la Federación).

The reforms to Mexico's Federal Tax Code (Código Fiscal de la Federación or CFF) incorporate important features applicable to both the Mexican tax authorities and taxpayers alike, and establish a more accessible system to communicate, simplify and expedite the payment of taxes. Highlights include the incorporation of the electronic Taxpayer Mailbox, joint and several liability for professionals, directors and company advisors, and an elimination of the requirement of an auditor's statutory audit report (dictámen fiscal) for tax purposes, making such certificate optional for certain taxpayers.

The main changes to the CFF are as follows:

4.1 Art. 10(I) CFF. Tax Domicile. Under certain conditions, Mexico's tax authorities may consider as the taxpayer's tax domicile the domicile that the taxpayer has provided to banks, financial institutions or savings and loan associations. This will generally make it easier for the government to conduct audits, specifically as to persons conducting business activities in the informal market, given the difficult nature of tracking such persons in the informal market.

4.2 Art. 17-D CFF. Advanced Electronic Signature. This article provides that, according to miscellaneous tax regulations to be issued, an individual may serve as the legal representative of another individual for purposes of processing the latter party's Advanced Electronic Signature Certificate, known by its initials in Spanish as the CIEC. Such tax representation may be carried through means of an attorney-in-fact, or a legal representative, when direct action by the taxpayer or individual is not materially possible (such as cases involving incapacity, minority age, residents abroad, missing persons or persons declared legally unaccounted for, those sentenced to prison terms or persons who are sick and hospitalized, among others).

4.3 Art. 17-K CFF. Taxpayer Mailbox. A provision has been added to the CFF to establish that individuals and entities registered with the Federal Taxpayers Registry (Registro Federal de Contribuyentes or RFC) will be assigned Taxpayer Mailboxes through which they will receive formal tax notifications, general notices and administrative rulings. This will allow taxpayers to submit filings, applications or notices through their Taxpayer Mailboxes and to comply with the requirements of Mexico's tax authorities. The Taxpayer Mailbox system will come into effect beginning June 30, 2014.

4.4 Art. 26(X) CFF. Joint and Several Liability. Importantly, such article clarifies that any joint and several liability of partners and shareholders of an entity will be limited to their respective paid-in capital contribution percentages during the period or date on which taxes were due. Similarly, joint and several liability for tax obligations has also been established for executors or representatives of probate estates.

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4.5 Art. 29 CFF. Mandatory Use of Internet Digital Tax Invoices. The use of Internet digital tax invoices applies to all taxpayers who are obligated to issue tax receipts or invoices under the law, including tax withholdings.

4.6 Art. 42 CFF. Electronic Audits. A framework has been established for electronic audits by means of which Mexico's tax authorities may make notifications and request and receive documentation and information from taxpayers. Similarly, the tax authorities will conduct audits, and provide notice of the results of such audits, through the Taxpayer Mailbox. This type of audit is estimated to last a maximum of three (3) months. Furthermore, Mexico's tax authorities now have the ability to use such system to determine acts or omissions which may result in a provisional ruling ordering possible taxes to be paid (pre-liquidation), which will be notified to the taxpayer electronically. Such ruling will allow taxpayers to self-correct, or provide information or elements electronically, seeking to reverse the tax authorities' decision.

4.7 Art. 53-C CFF. Exercise of Audit Authority. This provision establishes that Mexico's tax authorities may exercise audit authority in matters not previously reviewed, or matters that have already been reviewed previously, but which now may be re-opened based on new facts.

4.8 Art. 32-A CFF. Auditor's Statutory Audit Report for Tax Purposes (Dictamen Fiscal). This change confirms the elimination of Mexican taxpayers' obligation to submit statutory audit reports for tax purposes (dictamen fiscal), and provides that such audit report will be optional for corporations when taxable income of greater than 100 million pesos was received by the taxpayer and such taxpayer has assets for an amount equal to or greater than 79 million pesos, or has at least 300 employees throughout the tax year.

4.9 Art. 66 CFF. Self-Correction. The Mexican Federal Tax Code now establishes that taxpayers may make self-corrections at any stage during the period in which the tax authorities have the power to audit such taxpayers, provided such occurs before any final tax assessment has been issued. Taxpayers may agree to pay taxes in installments in accordance with their ability to pay when 40% of the amount owed and to be corrected, as determined by the tax authorities during the audit, represents an amount greater than the taxable income for the most recent fiscal year in which the taxpayer had taxable income.

4.10 Art. 69 CFF. Limitations as to Confidentiality of Tax Information (Tax Secrets or Secretos Fiscales). This Article establishes the authority of Mexico's tax officials to publish on the SAT website the name, corporate name or business name and RFC Number of those individuals and entities the government deems a risk to enter into mercantile or commercial agreements with, given their failure to comply with tax obligations in the past, in order to enable other parties to avoid the risk of doing business with taxpayers in default. A new exception has been added regarding the confidentiality of tax information of taxpayers who have (i) had a tax obligation cancelled due to inability to collect; (ii) had a tax obligation cancelled based on insolvency of the debtor; or (iii), been jointly and severally liable and have received forgiveness of a tax obligation.

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4.11 Arts. 69-C to 69-H CFF. Settlement Agreements (Acuerdos Conclusivos). The settlement agreement concept has been established as an optional alternate means available upon a taxpayer's request to comply with applicable tax obligations. The settlement agreement will be processed before the Taxpayer Protection Agency (Procuraduría de la Defensa del Contribuyente), the purpose of which is to enable taxpayers to comply with their tax obligations. The settlement agreement provides the benefit of 100% forgiveness of tax fines, and may be sought on subsequent occasions. Upon the second and subsequent occasions, tax penalties will apply. Settlement agreements are not subject to appeal.

4.12 Art. 74 CFF. Reductions of Fines. Guidelines for granting up to 100% forgiveness of tax fines for violations of tax and customs provisions will be established through miscellaneous tax rules.

4.13 Art. 95(VIII) CFF. Criminal Conduct under Mexican Tax Law (Delito Fiscal). An addition has been made to the list of parties responsible for criminal conduct under Mexican tax law to include those individuals who, according to a contract, bylaws (sole director, member of the board of directors, individual(s) responsible for general administration, general management or those with power of attorney for acts of ownership and administration) or the law, have a legal duty to avoid defaults as regards tax obligations.

4.14 Art. 110(V) CFF. Penalties for Offenses Committed against the Federal Taxpayers' Registry (Registro Federal de Contribuyentes or RFC). The definition of the crime of vacating the tax domicile has been substituted with that of disappearing from the tax domicile. Similarly, the cases in which such conduct will be deemed to occur have now been now specified, meaning that when the tax authorities visit the tax domicile of a taxpayer on three (3) consecutive occasions within a period of twelve (12) months without being able to perform the corresponding tax notification in person, the taxpayer will be deemed to have disappeared from the tax domicile.

4.15 Art. 121 CFF. Term for Filing Motions for Tax Appeals (Recurso de Revocación or Tax Appeal). The new tax reform establishes that any motion for a tax revocation or appeal must be filed using the Taxpayer Mailbox, and the term for filing such has been reduced from 45 days to 30 business days following the date on which effective notice was received by the taxpayer.

4.16 Art. 134(I) CFF. Notifications. Tax notifications via the Taxpayer Mailbox have now been added. Similarly, the law now establishes that electronic notifications will be deemed to have been made when the electronic acknowledgment of receipt is generated, noting the time and date which the taxpayer opened the notification document. Tax notices will be sent to the taxpayer, and the taxpayer will now have three (3) days to open the digital documents contained in the pending tax notification. The term will commence as of the date on which the previously referenced notice was sent. If the taxpayer does

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not open the tax notification within the indicated term, the notification will be deemed to have been officially delivered.

4.17 Art. 137 CFF. Notifications. The Mexican Federal Tax Code now provides that personal notifications will be given via citation when the notifying party is unable to locate the party concerned or, when carrying out the respective notification procedure, the notice will be delivered through the Taxpayer Mailbox. When tax collections and tax liens cannot be conducted in person with the taxpayer, or the taxpayer's legal representative, because the domicile of the taxpayer or the taxpayer's representative is unknown, due to disappearance or opposition to the service of process, among others, formal notice may now be delivered through the Taxpayer Mailbox.

4.18 Art. 146 CFF. Statute of Limitations to Collect a Final Tax Assessment. The general rule of a five (5) year statute of limitations to collect a final tax assessment remains. Such term may be interrupted with any collection efforts carried out by the tax authorities although the new provision states that even with any interruption of the term, the tax authorities only will have ten (10) years as a maximum term to collect on a final tax assessment. Once the maximum ten (10) year term has expired, the tax authorities will not be able to collect based on the same tax assessment, which will be cancelled.

4.19 Art. 152 CFF. Place of Attachment. The new law now establishes that the tax authorities have the power to carry out an attachment wherever the assets owned by the debtor are located, and such is not limited to the taxpayer's domicile.

4.20 Art. First Transitory CFF. With certain exceptions, the reforms to the CFF will take effect on January 1, 2014.

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5.- Single Rate Business Tax (Impuesto Empresarial a Tasa Única or IETU).

Beginning January 1, 2014 Mexico's Single Rate Business Tax Law, which was enacted in 2007, will be repealed. In the President's Statement of Purposes that was sent to Mexico's Congress, the repeal of such tax, and the cash deposits tax, was proposed in order to respond to the need to simplify the administration of Mexico's tax system and the complexity of income tax and IETU tax obligations. According to the administration, the IETU has resulted in a system that most taxpayers find costly to administer, and has proven difficult for Mexico's tax authorities to apply. For sure, the repeal of the IETU will not occur without causing collateral consequences; the new LISR increases the tax base of Mexican taxpayers and reduces the benefits and deductions such taxpayers may take in the future, which will serve to compensate for the loss of IETU and cash deposits taxes previously collected by the government.

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6.- Cash Deposits Tax Law (LIDE).

As of January 1, 2014, the Cash Deposits Tax Law will be repealed. This will free financial institutions from the heavy burden of collecting and administering this tax, which has not resulted in an important source of revenue for Mexico.

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