



Mexico

General	Types of indirect taxes (VAT/GST and other indirect taxes).	VAT or <i>impuesto al valor agregado</i> (IVA).
	Are there other indirect taxes?	Special excise tax on production and services (<i>impuestos especial sobre producción y servicios</i> or IEPS).
	What are the standard or other rates (i.e. reduced rate) for VAT/GST and other indirect taxes?	<p>VAT</p> <ul style="list-style-type: none"> — 16% general rate. — 0% applicable to exports of goods and services and other transactions, such as the sale of: <ul style="list-style-type: none"> — food and patent medicines — books, newspapers and magazines — products for the development of primary sector — gold with content of 80%. <p>IEPS</p> <ul style="list-style-type: none"> — 25%, 26.5%, 30% and 53%: alcoholic beverages tax and services related with them (the rates depend on the percentage of alcohol and the type of beverage). — 30.4% and 160%: tobacco/cigarettes and related services tax (the rate depends on the tobacco product — 30.4% applies to handmade products only). — 6%, 7% and 9%: pesticides. — 8%: food with a caloric density of 275 kilocalories (Kcal) or more per 100 grams. — 30%: gambling and lotteries. — 3%: rendering of telecommunications services through public networks, except for public and rural telephony and connection services between public networks and the internet. — It is important to mention that there is another tax rate for fuel and diesel that is determined by <i>Petróleos Mexicanos</i> (PEMEX).

General (continued)	Who is required to register for VAT/GST and other indirect taxes?	<p>VAT</p> <p>Individuals and legal entities that engage in the following activities within Mexican territory:</p> <ul style="list-style-type: none"> — transfer of goods — rendering of independent services — temporary use or enjoyment of goods — importation of goods or services. <p>IEPS</p> <p>Individuals and legal entities if engaged in the following activities:</p> <ul style="list-style-type: none"> — disposal and permanent import of the above-mentioned goods in the Mexican territory — rendering of services related to the above-mentioned goods.
VAT/GST registration	Is voluntary registration for VAT/GST and other indirect taxes possible for an overseas company (e.g. if the annual turnover is below the relevant VAT/GST and other indirect taxes registration threshold)?	No, in the past, it was possible to register for VAT purposes on a voluntary basis under a specific authorization granted by the Mexican tax authorities, but such authorities were reluctant to grant that authorization and, hence, the process was fairly complex. Foreign entities with permanent establishment in Mexico must register for purposes of all taxes, not only VAT, and must comply with the obligations of all taxes.
	Does an overseas company need to appoint a fiscal representative?	Not applicable.
	Which forms and supporting documentation does an overseas company need to submit for VAT/GST and other indirect tax registrations?	Not applicable.
	Is grouping* for VAT/GST and other indirect taxes possible?	No.
VAT/GST compliance	How frequently are VAT/GST and other indirect tax returns submitted?	Monthly.
	What are the exchange rate rules in your country?	The exchange rate applied for VAT purposes is the daily rate applicable on the day the tax point of the transaction was produced. The source of the foreign exchange rate is the Mexican Central Bank. The conversion tables are available on the Mexican tax authority's website: www.sat.gob.mx .

* By 'grouping' we mean: either a consolidation mechanism between taxpayers belonging to the same group (payment and refund are compensated but taxpayers remain distinct) or a fiscal unity for VAT/GST purposes (several taxpayers are regarded as a single taxpayer).

VAT/GST recovery	Can an overseas company recover VAT/GST and other indirect taxes if it is not registered for VAT/GST and other indirect taxes locally?	No.
	Are there any exemptions with the right to recover or deduct input VAT?	There is a zero-rate equal to this kind of exemption.
	Are there any restrictions to the deduction of input VAT?	Entities that exclusively perform exempt activities are not entitled to recover input VAT. In addition, certain types of imports and certain types of supplies of goods and services listed in the VAT law do not entitle taxpayers to an input tax credit.
Invoices	Is a business required to issue tax invoices?	Yes.
	Is it possible/mandatory to issue invoices electronically?	Yes, as of 1 January 2014, all taxpayers who use the digital tax invoice scheme, <i>Comprobante Fiscal Digital</i> (CFD), should use the internet digital tax invoice scheme (CFDI) to issue electronic invoices. From 2014, taxpayers earning more than 250,000 Mexican pesos (MXN) a year must use the CFDI scheme for issuing electronic invoices. Electronic invoicing requires: <ul style="list-style-type: none"> — the advanced electronic signature — processing a digital seal certificate — using the free service invoice offered by the Tax Administration Service or choosing from any of the 76 authorized certified providers found in the portal of the tax authority. An authorized certified provider is one person who is authorized by the Tax Administration Service to validate the CFDIs generated by the taxpayers, assign the folio and incorporate a digital seal from the Tax Administration Service. They are also obligated to send a copy of the CFDI validation by their customers to the tax authority.
	Is it possible for the vendor to issue an invoice, i.e. is self-billing possible?	No, except in very specific transactions in which small farmers act as suppliers.
Audits	Do tax audits take place on a regular basis?	Yes, tax audits may take place on a regular basis, but there is no rule regarding their frequency.

Audits (continued)	Are audits done electronically in your country (e-audit)? If so, what system is in use?	No.
	What penalties can arise from non-compliance?	<p>There are certain penalties for failing to fulfill formal obligations.</p> <p>The infringements for failure to register or late registration will lead to a penalty ranging between USD162 and USD490 (with an exchange rate of MXN15.00 per USD1).</p> <p>When the VAT payment is partially or completely omitted, the penalties applicable are as follows.</p> <ul style="list-style-type: none"> — There are no penalties applicable if taxpayers pay spontaneously — meaning that they pay prior to the start date of an audit by the Mexican tax authorities. — 20% of the omitted VAT amount if the taxpayer pays the amount along with inflation adjustments and interest surcharges before being notified by the authorities of a final resolution, but after an audit has begun. — 30% of the omitted VAT amount if the taxpayer pays the amount along with inflation adjustments and interest surcharges after being notified by the authorities of the final resolution. — 55% to 75% of the omitted tax amount in other cases. <p>VAT taxpayers who fail to pay VAT due are obliged to pay accrued interest. The interest rate is 1.13% per month effective 2004 to date.</p> <p>Penalties are also incurred for late filings of a VAT return and late payment of VAT and insufficiency or omission of a VAT return.</p> <p>Fines range from USD182 to USD1,830 (considering an exchange rate of MXN15 per USD1).</p>
Special indirect tax rules	Are there any special rules for the sale of a company by one taxpayer to another where VAT is not due on the sale?	No.
	Are there unique, specific indirect tax rules that you would not expect to find in 'standard' VAT jurisdictions?	Yes, the tax point of the transactions for VAT purposes is based on a cash basis system find (i.e. output VAT accrual when the payment of accounts receivable is received from clients and input VAT can be deducted once the payment of accounts payable is made to suppliers).
	Does a reverse charge mechanism apply for goods or services?	Yes, for importation of services (administrative, professional or any services rendered abroad) and intangible goods supplied by foreign residents.
	Are there indirect tax incentives available (e.g. reduced rates, tax holidays)?	No.
Rulings	Are rulings and decisions issued by the tax authorities publicly available?	No.

Principal changes in Tax Reform 2017	Changes in the VAT Tax Reform 2017.	<p>The most important changes are:</p> <ul style="list-style-type: none"> — <u>Outsourcing schemes</u> can credit the VAT paid but must comply with some requirements (i.e. taxpayer shall obtain a copy of the corresponding VAT return and payment receipt from the contractor, as well as the information filed to the tax authorities on the payment of such VAT). — <u>Pre-operating expenses</u>; taxpayers who want credit on VAT could do the following: <ul style="list-style-type: none"> — complete the VAT credit in the first monthly tax return, in proportion to the value of the taxable activities, with respect to all the activities — request the favorable balance. — <u>Export of information technology services</u> are being included as services subject to the 0% VAT rate under the exportation article of the VAT Law. These services include: development, integration and maintenance of computer applications or computer systems; processing; storage; information backups; the administration of databases; hosting computer applications; modernization and optimization of information security systems; and the continuity in the operation of the previous services.
	IEPS rules	<p>In addition to the above, it is important to mention that for IEPS purposes, the transfer of fuel and gasoline shall be added with the corresponding quota amounts. In the case of fossil fuels, the quota amount is as follows:</p> <ul style="list-style-type: none"> — less than 92 octanes: 4.16MXN per liter — equal or higher than 92 octanes: 3.52MXN per liter — diesel: 4.58MXN per liter. <p>In the case of other fuels, the quota amount shall be added with 3.52MXN per liter.</p> <p>The amounts are revised on a yearly basis.</p>