



TAX

Tax

This practice pragmatically advises clients on tax planning, federal and local tax optimization for new or existing operations and expansion projects, national and international corporate reorganizations, tax treaties, transfer pricing, private wealth management, and provides representation during complex tax audits and litigation.

Industries we serve

The Tax team serves companies and individuals in the following industries: Services, Automotive and Auto-parts, Aerospace, Private Equity and Financial Services, Private Wealth Management, Manufacturing, Life Sciences, Energy and Retail, among others.

Representative experience

- We acted as lead tax advisor for the 13.5 billion dollar corporate reorganization of this publicly traded Mexican multinational. The undertaking implied the tax-free reorganization of the company's beverage and snacks business into two separate sub-holdings and encompassed its subsidiaries in Argentina, Ecuador, Peru, Spain and the United States. In parallel, we acted as lead tax counsel for the 2.7 billion dollar acquisition of a U.S. bottling company by the bottling sub-holding company.
- We acted as lead tax counsel attending a major audit of several million dollars conducted by the Mexican tax authorities against an international provider of offshore services to the oil industry. In this audit, the authorities challenged the tax treatment given by the company to its fixed asset investments used in the provision of such services. Our legal assistance, which included applying the negotiation procedure with the National Taxpayer Ombudsman Office, resulted in a major reduction of the tax liabilities initially levied against the companies.
- Acted as lead legal, regulatory and tax counsel for a German food company on its acquisition of a major Mexican food products manufacturer. We conducted the legal audit for the acquisition, which required extensive and detailed legal analysis regarding complex industrial processes, formulations, intellectual property and assets holding structure of the seller as well as the existing information technology platform. Our advice allowed us to optimize the efficiencies of the investment structure design, preparation and negotiation of the stock purchase agreement and all ancillary documents. In close collaboration with the company's internal tax team, we developed the leveraged financing structure to maximize returns and minimize the cross border tax burden of the transaction.
- Assistance in tax planning and compliance of multi-million dollar investments of an important Mexican multinational group both in Mexico and in Europe. Our assistance included designing the most efficient divestment structures to spin-off industrial and research and development divisions of the group. Our law firm also assisted in identifying and designing the appropriate holding and investment vehicles to acquire participations in target companies located throughout Europe and participate in international private equity funds.
- In conjunction with client's global tax leadership, we assisted the client with the implementation of a global consolidated purchasing operation based in Mexico. The challenge of this project was to integrate the purchasing services operation of the global operations with the client's existing IMMEX (in bond toll manufacturing) operations in Mexico, over 18 manufacturing facilities. With restrictions on the IMMEX tax and trade rules, through the use of service IMMEX programs we were able to address income tax and value added tax challenges.
- Lead tax counsel for the investment into Mexico by Swedish retail group. We structured a tax efficient structure for the importation, distribution and sale to the final consumer, reducing the function and risks incurred in Mexico by the subsidiaries and consequently with diligent transfer pricing compliance programs were able to reduce the overall tax burden, while optimizing the Value Added Tax cost and time value of the money implications of the structure.
- We undertook representation in a tax investigation concerning client's intercompany transactions and use of a centralized treasury in Mexico and the German parent that were challenged upon audit. Upon challenge of the tax authorities assessment and taking advantage of the dispute settlement mechanism sanctioned by the PRO-DECON, the tax authorities accepted the validity of the centralized treasury structure in Mexico, and settled the case for an amount of less than 1% of their initial assessment.
- We represent a client in the tax and customs aspects of the importation of solar panels produced in the US, Asia and Europe. The Mexican tax/customs authorities adopted the rule that solar panels shall be subject to a 15% duty upon importation into Mexico, mostly to protect local manufacturers of solar panels. After filing an administrative appeal, we were able to reduce the liability by a half, allowing it to claim a preferential duty treatment based on origin from the US under NAFTA rules, which was originally disallowed by the audit section of the tax administration. We were successful in obtaining a positive decision with the Tax Court, which in essence will relate to technical aspects of the panels to determine their correct tariff classification. The case is waiting for a final decision at the Judicial level, and is expected to be the first case that addresses the core of the disputes with the Tax Administration in this industry.
- The firm successfully challenged an assessment related to an attempt by a Local State Government to impose a tax-like charge on the use of the subsoil in the State for the installation of a natural gas pipeline and related infrastructure, on the basis of the exploitation of the ground being used for the laying of such pipeline. The claim of the State is that its tax-like charge extends to pipelines on a basis equivalent to the exploitation and leasing of public space. This normally is the type of charge made for the installation of public markets by local governments. We developed the defense strategy, drafted the administrative appeal and represented the company in discussions with local tax authorities. Our active involvement allowed us to secure a favourable resolution in less than 12 months. We highlight that we were able to avoid posting a bond during the process, with significant cost savings to the client. We note that the client's pipeline crosses multiple municipalities in Tlaxcala and various states in central Mexico. The firm was able to avoid an important cost to the client, which would have inhibited infrastructure development in Tlaxcala and posed a dangerous precedent for other States to follow.
- We acted as tax counsel for a client subject to a tax audit for 2010. The underlying issue that triggered the contingent assessment was a discrepancy on the treatment of inventory and the integration of





accounts between the internal accounting of the company, tax returns and independent auditor certified tax returns. We proactively worked on the audit substantiating the integration of the accounting and inventory, nullifying the authorities' claim of income and denial of deduction. The result was the recognition by the authority that their potential contingency assessment was unsubstantiated and consequently the impending US\$35 million assessment could be overturned in litigation if they pressed on. Our proactive involvement within the audit allowed us to avoid litigation and forced the authority to cease their tax assessment, limiting their resolution to minor fines for deficiencies in accounting entries.

- We provided tax, foreign trade, corporate, and labor law advice for the acquisition of the Mexican business units of a global multinational, as part of the worldwide acquisition by our client. Our engagement encompassed carrying on the due diligence of the Mexican subsidiary, particularly the export and import operations, and of negotiating and drafting diverse corporate agreements that would govern the transition period of the acquisition, the maintenance of certain minority shareholders and of the final phase-out of seller and the minority shareholders. Major challenges were coordinating with counsel in the other jurisdictions involved in the transaction and, within the due diligence, assessing the risk factors that could signify non-negotiable and deal-breaking issues from those that could be effectively addressed contractually.
- Through an acquisition, the client found itself owning a subsidiary in Mexico that had been withholding taxes and assessing their own tax but which failed to pay in said taxes, a contingency exceeded US\$30 million. Additionally, the potential for criminal exposure was identified. Our role was to assess and mitigate risk, ensure compliance to avoid criminal exposure. We undertook a review of the tax assessment, integrated files to reduce the tax contingency and mitigate the criminal exposure. We lead the negotiation with the Mexican tax administration to self-correct. Through active leadership we involved the Commissioner of the Tax Administration Service in the self-correction process, closing the case with the payment of less than half of the initial assessment and shutting down the risk of criminal indictment to company officers.



Our tax team

The team in this practice area is one of the largest and more sophisticated at Sánchez Devanny. It is comprised by a unique combination of talents made up by a team of attorneys with private sector and government experience, that practice in Mexico but take advantage of their academic and practical experience in foreign jurisdictions. Sanchez Devanny's tax practice is recognized as a market leader.

Ricardo León Santacruz

He is a tax attorney with more than 20 years of experience. He has a broad based transactional tax practice focused on Mexican inbound and outbound tax planning and transfer pricing; tax treaties, their application and limitations; anticipation of anti-deferral and anti-abuse legislation; and overall Income Tax and VAT rationalization. His expertise allows him to structure tax-efficient domestic and cross border acquisitions, mergers, reorganizations, spin-offs, redemptions, liquidations, post-acquisition integrations and business restructurings.

Guillermo Villaseñor Tadeo

He has more than 20 years of experience in tax litigation and planning. He has positive experience in handling complex cases of tax audits and controversies that have resulted in favorable outcomes in different administrative or judicial stages, by implementing efficient strategies that reduce time and costs in benefit of his clients.

His experience involves tax advice in corporate taxation, restructuring transactions, mergers, acquisitions, and general advice, especially for business and multinational groups with operations in Mexico. His experience extends to transfer pricing, including the legal analysis of the implementation of policies, documentation and elaboration of economic studies and defense files.

Abel Mejía Cosenza

Abel specializes in international tax planning for both individuals and corporations. For individuals Abel regularly advises on US and Mexican pre-migration and cross-border income and international estate tax planning for ultrahigh net-worth individuals, leveraging on his admission to practice both in Mexico and the State of California, USA and the eight years of practical experience he obtained while working as a U.S. tax attorney for a prestigious California law firm. For corporations, Abel regularly advises foreign multinational companies in the setup of their Mexican operations and the acquisition or sale of Mexican target companies. Likewise, Abel regularly advises Mexican companies with their cross-border transactions, including payments to their foreign related parties, acquisition of U.S target companies and set-up and operation of their U.S. and foreign subsidiaries. Abel has also assisted several Mexica-led investment funds specialized in the acquisition and operation of industrial, commercial and resident real estate holdings in the U.S.

Mariana Eguiarte Morett

She has more than 10 years of legal experience, and is admitted to law practice both in Mexico and in the State of New York, USA. Her practice is primarily focused on national and international corporate tax issues. She has experience in a variety of tax matters, including M&A, corporate restructurings, transfer pricing and legal audits. Her experience also comprises tax audit reviews, as well as the implementation of defense strategies before tax and judicial authorities. Mariana has advised national and multinational clients in diverse sectors including real estate, energy, hospitality, automotive, retail, and air transportation.

Who we are

Sánchez Devanny is a leading Mexican law firm that provides full-service legal advice both to Mexican and international clients. With distinct practice areas that regularly collaborate with one another, we provide comprehensive counsel to help our clients make better decisions for their businesses as a whole for many industries.

More than attorney-client services

We build enduring client relationships that go beyond individual service contracts because we make every effort to understand our clients' businesses and expectations, to serve as an ally, and to provide complete, accessible and personalized advice. As a testament to these efforts, we continue to advise clients today who have trusted us with their legal matters since Jorge Sánchez Devanny founded the firm in 1996.

Experience and creativity

Throughout the firm, we take pride in serving our clients with a combined approach of experience and creativity because we recognize that when you know how things are done it is easier to think outside the box. Our partners offer a wealth of experience, including in prior roles as in-house counsels at global companies and government agencies, and key roles within international law firms.

We have more than 80 practitioners engaged in 15 different practice groups and several industry groups. With offices in Mexico City, Monterrey, and Querétaro, as well as several strategic alliances worldwide, the firm is well-positioned to quickly and efficiently represent and respond to clients' needs, shortening the distance between us and our clients. Our services are delivered in an efficient, professional, cost effective and timely manner, keeping always in mind that, as lawyers, we are business facilitators for our clients and must maintain a proactive and preventive approach.

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Team and Location

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Sánchez Devanny provides legal services in the areas of Corporate and M&A; Corporate and Project Finance; International Trade and Customs; Real Estate, Infrastructure and Hospitality; Tax; Labor, Social Security and Immigration; Corporate Governance and Regulatory Compliance; Energy, Natural Resources and Environmental; Life Sciences; Intellectual Property, Entertainment and Sports Law; Litigation and Alternative Dispute Resolution; Antitrust; Financial Institutions and Services; Private Wealth Management and Estate Planning and Data Privacy and Information Technology to both public and private clients, especially in the automotive, retail, pharmaceutical, manufacturing, real estate and energy industries.