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Tax Practice Group Newsletter



2021 Tax Audit Program to Large Taxpayers

On February 22, 2021, the Finance Ministry, through the Tax Administration Service (in Spanish, the SAT), published the Operative Master Plan 2021 (the "Master Plan"), whose main objective is to increase taxation on large taxpayers, through the improvement of the audit process.

In comparison with the Master Plan for 2020, in 2021 there are numerous modifications to the way SAT will operate for the sake of increased taxation and audit efficiency.

Such Master Plan is divided into five principal axes of implementation:

- i. The application of agile methods in operations that were successful in taxation, prioritizing sectors with profits generated in 2020;
- ii. Strengthening arguments, to communicate strong observations to taxpayers who achieve self-correction;
- iii. Improve interaction between SAT auditing and contentious areas to invite taxpayers to self-correct;
- iv. Conduct in-depth audits for irregularities detected in Value-added Tax (VAT) and Income Tax (IT); and

- v. Prior review of guarantees and a solid timely determination of tax credits.

By 2021, the list of the main economic sectors on which SAT will focus its audit is expanded, as follows:

- i. Beverages and Tobacco;
- ii. Financial (development banking and insurance);
- iii. Hydrocarbons (Fuel Importers);
- iv. Telecommunications;
- v. Automotive;
- vi. Nutrition;
- vii. Commerce;
- viii. Energy;
- ix. Pharmaceutical;
- x. Finance; and
- xi. Mining and Steel

Concerning the audit items for 2021 as they previously stood, **(i)** the deduction of investments, **(ii)** payments abroad, **(iii)** tax losses, **(iv)** corporate restructurings, **(v)** preferential tax regimes (REFIPRE), **(vi)** variations

in the Contribution Capital Accounts and Net Tax Profit Accounts (CUCA and CUFIN), **(vii)** VAT on transactions at the rate of 0%, **(viii)** the application of balances in favor and unfair returns, **(ix)** mining rights, and **(x)** stimuli in the border region, the following are added:

- i. Deconsolidation/Optional Regime for Groups of Companies;
- ii. Capital Repatriation;
- iii. Non-object VAT operations;
- iv. Special production and services tax accreditation and balances in favor; and
- v. Southern Border Region stimuli

Similarly, the entry into force of various tax reforms aimed at optimizing the audit work, such as profit margins, deductions and fees by sector, Business Reason,

Interest Deduction Limit, Reportable Schemes, and changes in the processing of Conclusive Agreements before the *Mexican Tax Ombudsman* (PRODECON).

Finally, it will seek to trigger Mexico's information exchange agreements with other countries, such as the *Foreign Account Tax Compliance Act* (FATCA), *Common Reporting Standards* (CRS), *Country by Country Report* (CBC), and direct requests generated by the tax authority to the competent authorities abroad.

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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.

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