

Clients Bulletin

August 2016

MEXICO CFC RULES

Reporting Exceptions Repealed

Mexican law requires Mexican taxpayers to file information returns in February of each year with respect to the following:

- Income subjected to Mexico's preferential tax regime (i. e. (i) foreign-source income not taxed abroad or taxed at an effective tax rate of less than 75% of Mexico's tax rates for individuals or corporations, as the case may be, and (ii) foreign-source income generated through fiscally transparent vehicles), with certain exceptions.
- Income generated from blacklisted countries.
- Operations carried on through fiscally transparent vehicles, even where no income was generated or where income was taxed at more than 75% of Mexico's tax rates.

Mexican administrative rules (called the Miscellaneous Tax Resolution) had created some exceptions to the above reporting obligations.

On July 14, 2016, the Mexican Tax Administration introduced certain amendments to these rules.

In essence, the amendments repealed the possibility not to report the following income and operations:

1. Income from blacklisted jurisdictions with a Tax Information Exchange Agreement with Mexico. This repeal affects the following countries, previously exempted from the reporting obligation:

Aruba
Bermuda
Bahamas
Belize
Cayman Islands
Cook Islands
Costa Rica
Guernsey
Gibraltar
Isle of Man
Jersey
Liechtenstein
Netherlands Antilles
Samoa

Evidently, income from other backlisted countries is also reportable.

2. Income from blacklisted countries through foreign vehicles in other countries.
3. Operations through fiscally transparent vehicles incorporated in countries with a tax information exchange agreement with Mexico where the Mexican taxpayer has no control to determine timing of distributions.

As a result of the appeal, the above income and operations must be reported in the information returns to be filed in February, 2017.

It is nonetheless advisable to analyze each particular case to determine whether other exceptions may be available.

CONTACT INFORMATION

For further information and questions, please feel free to contact us.

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