

## Mexico – Evolution of electronic means of payment

**Carlos Montemayor, PricewaterhouseCoopers (Mexico)**

Total Tax Rate:	51%
Number of hours:	517
Number of payments:	6

The Paying Taxes results for Mexico have been of great interest to the Mexican tax authority. The indicator for the time to comply has been of particular concern. Since late 2007, significant effort has been put into analysing and evaluating areas of opportunity, with the goal of achieving a reduction in the amount of time that it takes to comply with tax regulations. These activities had been mainly focused on federal taxes (i.e., income tax and value-added tax). However, despite these efforts, the time to comply with income tax obligations has increased due to the enactment of the flat rate business tax, as this has to be determined on a cash basis, with a separate base, whilst the income tax has to be determined on an accrual basis.

More recently, the Mexican Social Security Institute ('IMSS') and the Mexico City State Treasury authorities have also focused on the amount of time taken to comply with labour taxes and the measures that could be taken to reduce the number of hours in this respect. Overall, the number of hours to comply has fallen.

A striking result for Mexico this year can be seen in the number of payments indicator where the number has reduced to six, from 27 last year. This reflects the

electronic systems which are now widely available for use with social security payments, payroll taxes and also property taxes. Improvements in the technology offered by the banks, and taxpayers' increasing confidence in electronic means of payment, have helped ensure that most tax payments made by taxpayers, with 50 or more employees, are now fully performed through electronic means. Payment of social security contributions and the Mexico City State tax are also now possible without the need to join the line at the bank's premises.

The Mexican government's interest in the ease of paying taxes and reform continues, and a separate exercise conducted by PwC with the authorities is referred to on page 48 of this report. The Tax Administration Service ('SAT'), the authority in charge of collecting and administering all federal taxes (i.e. income tax, flat rate business tax and value-added tax), continues to lead initiatives to secure technological improvement, while the IMSS, the Employees' Housing Fund ('INFONAVIT') (both for social security contributions) and certain State Treasuries (for State Taxes), such as the Mexico City State Treasury, are also involved in this process, aligning improvements with those initiated by SAT.

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers does not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2009 PricewaterhouseCoopers. All rights reserved. “PricewaterhouseCoopers” and “PwC” refer to the network of member firms of PricewaterhouseCoopers International Limited (PwCIL). Each member firm is a separate legal entity and does not act as agent of PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way. No member firm is responsible or liable for the acts or omissions of any other member firm nor can it control the exercise of another member firm’s professional judgment or bind another member firm or PwCIL in any way.