
Mexico: PRODECON publishes final rules for country-by-country reporting

April 5, 2017

In brief

Article 76-A of Mexico's Income Tax Law, which went into effect on January 1, 2016, requires certain taxpayers in Mexico to submit the following three information returns: Master File, Local File, and Country-by-Country (CbC) Report. The deadline for filing 2016 returns is December 31, 2017.

PRODECON (The Tax Ombudsman) announced final rules concerning those returns on April 3, 2017. In general terms, the final rules are consistent with Action 13 of the Base Erosion and Profit Shifting (BEPS) guidelines and provide greater detail than that contained in the Mexican Income Tax Law (MITL).

In detail

On April 3, 2017, PRODECON published the final rules for presenting the Master File, Local File, and CbC Report in accordance with Article 76-A of the MITL, after obtaining formal public consultation.

Through this public forum, taxpayers, fiscal organizations, and specialists in the topic provided their comments in order to align the requirements of Action 13 into the obligations and rights of Mexican taxpayers.

As a result of the public consultation, 13 points of reporting were modified by the Mexican tax authorities:

- **Local File** – This file replaces local transfer pricing documentation requirements of Article 76 fractions IX and XII of the MITL.
- **Local declaration** – There no longer is a requirement to file the financial information and tax reports of the foreign-related parties.
- **CbC Report** – Mexican groups may file one CbC Report for the group.
- **Master File** – The Master File is considered compliant in Mexico as long as it meets BEPS Action 13 requirements.
- **Master File** – Only five products/services or those products/services representing more than 5% of the revenues of the group should be reported (instead of the complete list of products or services).
- **Master File** – Definitions of certain terms such as Multinational Group, Intangible Assets, and Business Restructure are provided.
- **Master and Local File** – An English version of the Master File is acceptable as well as intercompany agreements of and business descriptions of comparables to be included in Local File.

- **Local File** – Description of intercompany transactions will be possible.
- **Master File and CbC Report** – Both can be reported in foreign currency.
- **Local File** – Analysis included in the Local File provides the elements to establish that intercompany transactions are in

accordance with the arm's-length principle.

- **Local File** – Only Advance Pricing Agreements available to the Mexican taxpayer should be provided.
- **Master File** – Information can be submitted electronically.
- **Master File** – All entities subject to filing a Master File must file only one document for the Group.

The takeaway

The final rules provide greater detail and guidance on completing the CbC Report.

Multinational groups that have not yet conducted preliminary reporting exercises should do so as soon as possible in order to determine criteria for filing, not only in Mexico, but also in the other jurisdictions where they do business.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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