


<p>This guide is an overview of the Mexico's Value Added Tax ("VAT") system, focussed on how it affects foreign businesses trading with the Mexico. It is general in nature and unlikely to cover the specifics of your scenario. It should be read as such and not be construed as advice. For advice as to how your business is affected by Mexico VAT please contact a Kreston Global Mexico VAT specialist.</p>	<p>México : VAT / Indirect Taxes</p> <p>CPA Enrique Pastor E epastor@krestonfls.com</p> 
--	--

México

What is the tax called	VAT – Value Added Tax
What is the tax authority	SAT – Taxes Administration Service
What type of tax is it	General consumption based consumer tax, levied on commercial transactions and on imports. It is the result between the VAT collected minus the VAT paid that is allowed.
What is it due on	<ol style="list-style-type: none"> 1. Taxable turnover - VAT is added to the value of Supplies of goods 2. Services 3. Leases 4. Imports <p>where the 'place of supply' is Mexico</p>
What are the VAT rates	<p>Taxable: 16% - default (standard) rate 8% – fiscal incentives reduced rate (on borders area 50% discount on general rate) 0% - zero rate</p> <p>Exempt: 0% - Exemptions for specific services/goods</p>
	16% - Applicable to all sales, services, leases and imports, where no other specific rate is indicated.
	8% - for tax incentive: Rate applicable in northern and southern border area 50% discount on the general rate on all taxable transactions
	<p>0% - zero rate eg</p> <ul style="list-style-type: none"> • Exports • Animals and plants alive, (no pets) • Medicines • Basic and not processed food and water and ice (not in restaurants) • Tractors and agricultural implements and spares • Fertilizers, pesticides, herbicides and fungicides, provided they are intended for use in agriculture or livestock farming • Hydroponic greenhouses and equipment integrated to them. • Gold, jewellery, gold work, artistic or ornamental pieces and ingots, whose minimum content of such material is 80%, provided that they are not sold at retail to the general public • Books, newspapers and magazines, published by the taxpayers themselves

	<ul style="list-style-type: none"> • Services rendered to farmers and stockbreeders, provided that they are intended for agricultural activities. • Some Export of goods or services
	<p>Exempt from VAT</p> <ul style="list-style-type: none"> • Land • Constructions attached to the ground, intended or used for residential purposes • Books, newspaper and magazines, as well as the right to use or exploit a work, which is made by its author • Used goods, except for those disposed of by enterprises • lotteries, raffles, drawings or games with bets and contests of all kinds, as well as the respective prizes • Corporate shares, notes receivable and accounts receivable • Gold bars with a minimum content of 99%. • The transfer of goods between residents abroad, provided that the goods have been exported or introduced into Mexican territory under an authorized program
Withholding Tax (total or partial)	<ol style="list-style-type: none"> 1. Credit institutions through dation in payment 2. Legal entities that receive independent services, lease any goods, or receive land transportation of goods, and receive services rendered by commissions agents. 3. No tax residents in Mexico that offer goods, services or lease in Mexican land.
What does a VAT number look like	Individuals XXXX999999xx9 or Legal XXX999999xx9
Is there a registration limit	None
When does a non-established entity need to register	If it imports into or trades goods in Mex or if the place of supply of services is deemed to be the Mex.
When to consider that the place of supply is in Mexican Territory	<p>A supply that takes place in the Mex. territory Also, special rules for services, no matter where the supplier belongs, such as:</p> <ul style="list-style-type: none"> • Land and property related • Digital, telecommunications and broadcasting • Other digital services including admissions, linked to physical performance, including artistic, cultural, educational, sporting, entertainment, exhibition and conferences/meetings •
Any special rules to Non Residents who provide services through digital platforms	Non-Residents or those without a Permanent Establishment who sell through digital platforms (such as Amazon, Uber, Platzi) must register as taxpayers with a legal representative who must be resident in Mexico, function as tax withholders, file monthly tax returns and send invoices to their customers in Mexico.
Does a non-established entity need a fiscal representative	Fiscal representation in Mex. Of a resident in Mexican territory (does not require Mexican nationality)
How often do VAT returns need to be submitted	Monthly
Are penalties imposed for late registration	Yes, the general rules state up to 5 years of review and collection powers, but could increase to 10 years;

	<p>Unpaid tax is due plus a % financial surcharge and plus inflation from when the liability arises until it is paid. Fines are a separate amount calculated on the % of the flat tax.</p> <p>There is the possibility to waive the fines when there is spontaneous compliance with the obligations.</p>
Are penalties imposed in other circumstances	<p>Yes – penalties are charged for:</p> <ul style="list-style-type: none"> • VAT return errors (up to 5 years old and between 0% and 100% of tax due depending on circumstances) and • late submission or payment
Can VAT incurred by overseas businesses be recovered	<p>Mexico don't have reciprocal refund arrangements, so VAT incurred overseas can't be recovered</p>
Can VAT be deducted	<p>VAT added to purchases, leases, expenditure and investments can be credited when it is used in connection with 'taxable' sales, either at the standard rate of 16 % or 0 % or at the reduced rate.</p> <p>VAT on expenditure used in connection with exempt supplies, investments, services or leases cannot be credited.</p>
Do I need to issue an invoice	<p>Invoices must always be issued. There are specific requirements to be included on VAT invoices.</p>