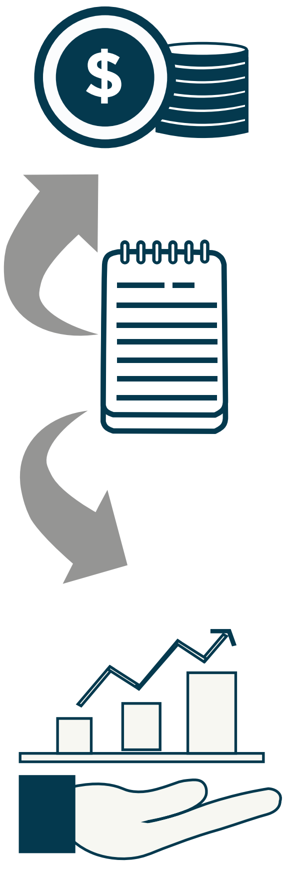
HLB MEXICO

# Economic initiative for the fiscal year 2022

On September 8, the President of the Federal Administration introduced to Congress, the so-called "Economic initiative for the fiscal year 2022" in accordance with the established in the article 74 section IV of the Constitution, which consists of the following documents:



### Expenses

•Proposed Federal Expenditure Budget
•Letter from the President, Explanatory Memorandum, volumes, and annexes of the proposed budget of the Federation.

### Tax policy

•General criteria of economic policy for the initiative of the revenue law and the proposed budget of expenditures of the Federation.

### Income

•Decree by which the federal revenue law is issued
•Project from the decree reforming, adding, and repealing several provisions of the income tax law, the value added tax, the law of the special tax on products and services, the federal law of the tax on new automobiles, the federal tax code, and other laws.
•Project from the decree amending, adding, and repealing several provisions of the federal rights law.
•Report on the exercise of the power conferred to the federal executive in tariff matters, which is presented in accordance with article 131 of the political constitution of the United Mexican states.

It is expected that these initiatives will go through the legislative process, so that by November 15, 2021, at the latest, they will be enacted as laws to become effective as of January 1, 2022, or on the dates specifically indicated.

Although it is not proposed to create new taxes or increase the rates of existing taxes, except for inflation adjustments, measures will be implemented to enable compliance with tax payments by means of the administrative simplification, to close evasion spaces, fraud and fiscal avoidance gaps.

**General Economic Policy Criteria**

The main projected economic variables considered for this economic package are as follows:

| | Estimated 2021 | Estimated 2022 |
|---|---|---|
| **Gross Domestic Product** | **6.3** | **4.1** |
| **Inflation (%)** | **5.7** | **3.4** |
| **Exchange rate (pesos per dollar)** | **20.2** | **20.4** |
| **Interest rate (%)** | **4.8** | **5.3** |
| **Oil (dollars/barrel)** | **60.6** | **55.1** |

**In general, the main changes and proposed amendments to the various tax provisions contemplated are as follows:**

### Federal Revenue Law

• The federal revenue budget for 2022 is expected to be $7,088,250.3 million pesos, which represents an increase of 8.6 % over the previous year's budget.

• Regarding surcharge rates, the rates that were charged in 2021 will remain the same for 2022.

• Regarding to the reduction of fines, the possibility of reducing fines by 50 % before the final report of audit comments and by

### Income Tax Law

• The business purpose will be fundamental to access various tax benefits such as the disposal of shares at fiscal cost or deferring the payment of income tax derived from restructurings, as well as the absence of alienation of assets in splits and mergers.

• The deduction of Bad debt recoveries might be done until the applicable legal procedures have been fully exhausted.

• In relation to the reporting of cash deposits that financial institutions must comply with, it will no longer be annual, it is being proposed that it will be monthly on the 17th day of the following month.

• "Maquiladoras" will not be able to document compliance with transfer pricing obligations through Advance Pricing Agreements (APA's) and the only applicable instrument will be the Safe Harbor.

• Natural persons and corporations performing business activities and small businesses with revenues of less than $3,500,000 and $35,000,000, respectively, will have the possibility of accessing a simplified taxation method with various tax benefits, highlighting the simplification of compliance with various formalities. It is proposed to remove the Tax incorporation regime.

### Value Added Tax Law

• Taxpayers that carry out activities that are not subject to the Value Added Tax Law may not credit the tax paid to suppliers or on the importation of goods when they are related to such activities.

Federal Fiscal Code

- The obligation to have the financial statements audited by a registered CPA is reintroduced for legal entities with income declared in the immediately preceding fiscal year in an amount equal to or greater than $876´171,996.
- The financial statements used for the split or merger and those prepared because of such legal acts must be audited in accordance with the general rules issued for such purpose.
- Activities related to hydrocarbons will have bigger controls and penalties for non- compliance with the obligations contained in the various tax laws applicable to them.
- A time limit is established for the adoption of 'Conclusive Agreements'.
- A 'friendly agreement' is established for a legal protection to the tax treaties, however, in these cases the tax interest must be guaranteed.
- Several requirements are established for civil organizations and trusts to receive donations whose purpose is to carry out rescue and reconstruction work in cases of natural disasters. It also establishes that the SAT may issue general rules for compliance.
- It is proposed that the tax authority may also deny the granting of the electronic signature and the Digital Seal Certificate when the applicant has a partner or shareholder with cash control and the latter has not been able to rebut the presumption of inappropriate transfer of tax losses referred to in Article 69 of the Fiscal Federation Code, or has unpaid or unguaranteed tax credits, is untraceable, has been sentenced for a tax offense or has had a tax credit waived for being unaffordable or uncollectible.
- New assumptions are proposed so that the tax authority may temporarily restrict the use of the Digital Seal Certificates, likewise it is contemplated that the issuance of a new Certificate will not proceed when the taxpayer has not been able to disprove the irregularities referred to in articles 17-H Bis, 69-B and 69-B Bis of the Fiscal Code and has not corrected its tax situation.
- It is specified that for the payment of contributions in installments, the 20% must be paid by filing the corresponding tax return.
- It is proposed that taxpayers who grant the temporary use or enjoyment of goods be required to keep electronic accounting records, including when they opt for the 35% blind deduction.

New requirements are incorporated in the issuance, cancellation, and deduction of invoices (CFDI´S) and the rules for certification providers are restructured in a specific article. The main changes include the following:

a) The requirements include the name or company name of the issuer, name or company name and zip code of the taxpayer's who will receive the invoice and the code of the fiscal purpose that the recipient will give to the invoice.

b) In those cases, in which there is no coincidence between the information corresponding to the service, description of the goods or the use or enjoyment indicated in the tax receipts with the economic activity registered in the RFC (tax ID), the authority will proceed to update the economic activity of the taxpayer.

c) A term is established to cancel the invoices until before the filing of the annual tax return for the year in question and provided that the person in favor of whom they are issued accepts their cancellation.

d) For purposes of the cancellation of tax receipts covering income, taxpayers must justify and support with documentation the reason for such cancellation, which may be verified by the tax authorities in the exercise of their verification faculties.

e) New infraction: fine of 5% to 10% of the amount of the invoice in question will be imposed for not canceling or canceling them after the established term.

f) It is established as an infraction to use third party invoices when the authorities, in the use of their faculties of verification, determine that the invoices of the taxpayer cover non-existent or simulated transactions without the presumption having been rebutted. In this case, a fine of 55% to 75% of the amount of the CFDI in question will be imposed.

**The official document for the economy action plan for 2022 can be downloaded here**

Without further comments for the moment and hoping that this information will be useful for the fulfillment of your tax obligations. At HLB Mexico, we have tax consulting experts at your disposal that can help you solve your doubts.