Mexico: Executive Branch submits Economic Package for FY 2021 including a proposal of Tax Reform

Brief

On September 8, 2020, the Mexican Executive Branch delivered to the Representative House the proposal of Economic Package and Public Budget for fiscal year 2021, which includes, the General Economic Policy Criteria, as well as a proposal of amendment to the Income Tax Law ("**MITL**"), Value Added Tax ("**VAT**"), Special Tax on Goods and Services ("**IEPS**") Law and to the Federal Tax Code ("**FTC**").

Below, please find a summary of the main aspects to be discussed in the House of Representatives with respect to the tax amendments proposed by the Executive Branch for fiscal year 2021.

I. Economic Statistics

Considering what is set forth in the proposal of the Federal Income Law for Fiscal Year 2021, as well as the General Economic Policy Criteria, the main economic indicators establish the following (period contemplating the fiscal year 2020 to 2026):

	2020	2021	2022	2023	2024	2025	2026
Gross domestic product - real growth %	-8.0	4.6	2.6	2.5	2.5	2.5	2.5
Exchange rate average pesos per dollar	22.0	22.1	22.1	22.3	22.5	22.7	22.9
Interest rate average nominal %	5.3	4.0	4.4	5.0	5.4	5.5	5.5
Interest rate accumulated real %	1.9	1.0	1.4	2.1	2.4	2.6	2.6
Average price per barrel of petroleum (dls/barrel)	35	42	45	48	50	51	52

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II. Proposal to reform the MITL

Contrary to what was expected, especially considering the doubts that still exist with respect to the past reform of the MITL, the Federal Executive, among other minimal adjustments, proposes an adjustment to the regulations provided for in Title III of the aforementioned legal system.

i. School-business programs

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ii. New scenarios for being considered as non-tax payers of income tax

The cooperative organizations of integration and representation, figures contemplated in the General Law of Cooperative Societies, are included as non-tax payers of income tax, without additional requirements.

iii. Obtaining prior authorization to receive donations, prior to paying taxes under the terms of Title III of the MITL

In the event that the reform is approved, those non-profit societies or civil associations that grant scholarships; that are dedicated to scientific or technological research; to the research or preservation of wild flora or fauna, terrestrial or aquatic; or to the reproduction of species in protection and danger of extinction and to the conservation of their habitat, prior to being considered as non-taxpayers in the terms of Title III of the MITL, must previously obtain authorization to receive deductible donations for income tax purposes.

iv. Distributable surplus

Currently, the MITL establishes that it shall be considered as distributable surplus (basis for the determination of the income tax payable by the persons mentioned in the penultimate paragraph of Article 79 of that Law), among other cases, those expenses that are not deductible under the terms of Title IV of the MITL; however, the above is not applicable if the reason for non-deductibility is not covered by digital tax invoices via internet ("**CFDI**" per its Spanish acronym), or if the payment method requirements are not met.

In this regard, the reform intends to eliminate this exception rule, so that those expenditures that do not have tax receipts and that are not made by electronic transfers; nominative checks, credit, debit and service cards or through the so-called electronic purses authorized by the SAT, will be considered as distributable surplus.

v. Loss of authorization for deductible donations

Although the benefit for the authorized donators of obtaining income from activities other than those for which they were authorized to receive such donations is still maintained, in an amount not exceeding 10% of their total income for the fiscal year in question, as part of the reform it is foreseen that in the event that the aforementioned percentage exceeds 50% of the total income for the fiscal year, said entity will automatically lose the corresponding authorization (with the SAT having to issue the respective resolution).

In these cases, if within twelve months following the loss of the authorization, such authorization has not been obtained again, the total assets of the entity whose authorization has been revoked must be allocated to another donor authorized to receive deductible donations.

vi. Destination of the assets of the authorized donors

To the statement of the Executive, with the intention of avoiding abuses, it is expressly established that, in order to be considered as authorized donors, the legal persons with nonprofit purposes (referred to in Article 82 of the MITL) must allocate all their assets exclusively to the purposes of its corporate purpose, emphasizing that the object thus referred, must correspond to which they were authorized to receive donations deductible from income tax.

As part of the reform, those corporations that have not renewed or obtained again their authorization to be considered as authorized donors within the twelve months following the revocation or termination of their authorization, must allocate all their assets to other entities authorized to receive deductible

donations. In addition, such corporations will be taxed under the terms of Title II of the MITL. The above is also applicable in those cases in which the authorized donor decides to cancel its authorization.

vii. Transparency of information by authorized donors

In addition to the obligation that already exists to keep at the disposal of the general public, information related to the authorization to receive donations, the use and destination of the donations received, as well as the compliance with their tax obligations, on the occasion of the reform it is intended that the information related to the patrimony of the authorized donators is also transparent.

In the event that the legal entity no longer has the authorization to receive deductible donations, and has not complied with the obligation mentioned in the previous paragraph, the said legal entity must comply with said obligation, within the month following that in which the notification of the revocation took effect or that in which the non-renewal of the authorization has been published.

viii. Causes for revocation of authorization to receive deductible donations

The MITL is modified to include in its text the causes for revocation of authorization to receive deductible donations, as well as the procedure that the SAT must follow to carry out said revocation, a situation that we believe provides a high degree of legal certainty, given the importance of a revocation of authorization.

ix. Transitional Provisions applicable to the regime of Title III of the MITL

It is expressly provided that those legal entities that are not authorized to receive deductible donations as of the date of entry into force of this tax reform shall be taxed under the terms of Title II of the MITL as of that moment. Notwithstanding the foregoing, they shall determine the distributable remainder generated as of December 31, 2020 under the terms of Title III of the MITL in force until December 31, 2020, and their partners and members shall accumulate the remainder that is delivered to them in cash or in goods.

x. Maquiladoras requirements

The final part of the third paragraph of Article 182 of the MITL is eliminated to avoid interpretations that the Executive considers erroneous, in the sense that it complies with the obligation to determine the profit on maquila operations with the foreign tax resident when there is a transfer pricing study that supports such operations. This is because this obligation is only fulfilled by obtaining an Advance Transfer Pricing Agreement (*APA*, per its Spanish acronym), or by calculating the *Safe Harbor.*

III. Proposed amendments to the VAT Law

i. Digital services rendered by foreign residents through digital intermediary platforms

In the context of the implementation of the recent tax reform on rendering of digital services, the Executive Branch detected difficulties in tax compliance for digital service providers that do not have a significant market in national territory, therefore it is proposed to include the obligation of intermediary service providers to withhold 100% of the VAT upon processing of payments for residents abroad without permanent establishment in Mexico that render digital services in Mexico. Similarly, the payment processing intermediaries must issue and send the recipients of digital services the corresponding tax receipts.

Consequently, the bill of amendment proposes to release from the VAT withholding obligation and provide information to the Tax Administration Service ("**SAT**") to foreign residents without permanent establishment in Mexico that render digital services as provided in sections I, III and IV of Article 18-B, when payment-processing intermediaries withhold 100% VAT on such transactions.

ii. Option for digital intermediary platforms to publish prices of goods and services without including value added tax amounts expressly and separately

The bill proposes to incorporate in the Law the option for digital intermediation platforms to publish prices of goods and services without including value added tax expressly and separately, provided that such prices include value added tax and are published with the legend "VAT included".

iii. Consequences of noncompliance with obligations by residents abroad without a permanent establishment in Mexico

The Executive also proposes an amendment to establish that whenever digital service renderers residing abroad without a permanent establishment in Mexico do not register in the Federal Taxpayer Registry, or when it does not designate a legal representative and a domicile in Mexico or when it does not process its

advanced electronic signature, a temporary blockade of access to the digital service will be imposed, which will be done through the concessionaires of public telecommunications networks in Mexico, until the omitted obligations are fulfilled.

The foregoing also applies when the payment of the tax is omitted, the entire withholding in the case of digital services of intermediation between third parties, or the filing of monthly information returns during three months or two consecutive quarterly periods. In these cases, the incorporation into the Federal Taxpayer Registry will also be cancelled and the company will be removed from the list of registered digital service providers.

Therefore, it is proposed to establish an expeditious procedure that allows the right to a hearing prior to the issuance of the blocking order, granting a period of 15 days to comply with the obligations omitted. The SAT will publish on its website and in the Federal Official Gazette, the name of the supplier and the date from which the blocking will start.

Finally, it is proposed to add powers to the SAT to request the assistance of any competent authority to carry out the temporary blocking, as well as to grant a term of 5 days for the concessionaires of public telecommunications networks in Mexico to carry out the corresponding blocking. In case of non-compliance with the blocking order, a fine of $500,000 to $1,000,000 pesos is proposed for each month that the blocking order is not fulfilled.

iv. Intermediary services for the sale of used movable property

The bill proposes to eliminate the exception provided for digital intermediary services for used personal property.

v. Exemption for professional medical services provided through private welfare or charitable institutions

It is proposed to include within Section XIV of Article 15 of the VAT Law, that the professional services of medicine provided by individuals through assistance or private charity institutions will also be exempt from the payment of the tax.

IV. Proposed amendment to the IEPS Law

The bill of amendment includes the establishment of a "supplementary quota", which would be applicable for automotive fuels in addition to the previously existing excise taxes on fuels. It is important to establish that said supplementary quotas would be variable, so that the respective quota could increase or decrease, depending on variations in crude prices, international references and the exchange rate.

Notwithstanding the above, said "supplementary fees" seem to have the nature of a variable rate surcharge, which is important to analyze on a constitutional level. These fees would be included in a new Article 2-B of the LIEPS, adding to the current mechanism to determine automotive fuels of Article 2, Section I, subsection D) and Article 2-A of the LIEPS, when applicable.

V. Proposed reform to the FTC

i. Anti-abuse provision to re-characterize transactions

Article 5-A of the FTC entered into full force and effect on January 1, 2020, establishing an anti-abuse provision, that allows the authority to re-characterize legal acts that lack a business reason and that generate a tax benefit, imposing the tax effect that such transaction would have had considering that such legal acts were not executed. In addition, paragraph seventh of Article 5-A of the FTC establishes that the tax effects derived from the application of such general anti-abuse provision shall not generate criminal implications.

Notwithstanding the above, the bill of amendment establishes that the SAT could re-characterize the tax effect of legal acts (determining omitted contributions, accessories and fines, if applicable), without regard to eventual investigations and criminal liability that may arise, as a consequence of the commission of crimes foreseen in the FTC.

ii. Central Standard Time to rule tax mailbox

The third paragraph of Article 13 of the FTC is modified to establish that the tax mailbox will be governed according to the schedule of the Central Zone of Mexico.

iii. Installment sales

The second paragraph of Article 14 of the FTC is modified to establish that installment sales are deemed to take place whenever the buyer's Tax ID code ("**RFC**" as per its acronym in Spanish language) is not available, even if the CFDI corresponds to transactions held with the general public, if "the price is deferred 35% after the sixth month, and the compensation is agreed to be paid in a term that exceeds twelve months".

iv. Deemed transfer of goods upon demerger of entities

A fifth paragraph would be added to Article 14-B of the FTC to establish that the demerger of companies will be considered an alienation of goods whenever as a consequence of the transfer of assets, liabilities and capital carried out as part of the demerger, the equity accounts of the demerged entities include an item whose amount was not originally registered in equity accounts of the statement of financial position prepared, presented and approved at the general meeting of partners or shareholders that agreed to the demerger of the original entity.

v. "Recognized Market" concept

Section I of Article 16-C is modified to include in the "recognized market" concept, any SHCP concessionaire that acts as a stock exchange market in terms of the Securities Market Law. With this, the concept of "recognized market" will not be limited to the Mexican Stock Exchange.

vi. Advanced Electronic Signature to serve as identification marker

It is proposed that the SAT, at the request of users, provide an identity verification service, based on the biometric information that exists in its databases, as well as that information that it collects in the future, by issuing a binary response (yes/no). This service would only be provided to persons that apply for the use of Advanced Electronic Signature as a means of authentication or signing of digital documents.

vii. Cancellation of Digital Seals as a consequence of being definitively labeled to undertake tax sham transactions

It is proposed to repeal from Article 17-H Bis of the FTC those taxpayers who are identified in the definitive lists of taxpayers who issue non-existent CFDIs and who are found to have unduly transmitted tax losses, so that the digital stamps of said taxpayers are not temporarily suspended, but left without tax effects, as per the addition of Sections XI and XII of Article 17-H of the FTC.

viii. New requirements for taxpayers written applications

The bill of amendment presents a correction to the references that exists in Article 18-A of the FTC for the filing of specific queries or requests for authorization or confirmation regime before the tax authorities, so that it is understood that when the authorities notify a request of information, and it is not addressed by the individual within a period of 10 business days, such application will be deemed as not presented.

ix. Refund requests of favorable balances of taxes

The bill of amendment seeks to modify Article 22 of the FTC to establish that refund requests of favorable balances of taxes shall be deemed as not filed in those cases in which the taxpayer or its domicile is not located before the RFC.

Likewise, Article 22-D of the FTC would establish that the SAT may open audit processes to verify the origin of the favorable balances in accordance with the following:

- Open an audit review on each refund request or open a single audit for all refund requests and issuing a single resolution, provided that all refund requests are for the same tax/contribution.
- Extend the term from 10 to 20 business days for the authority to issue the corresponding resolution, once the audit processes are closed in order to confirm the taxpayer's right to obtain a refund of the balance of contributions.

x. Joint liability of demerged entities and permanent establishments

The bill of amendment seeks to expand the concept of joint liability for the following cases:

- In the case of demerger of entities, it is envisioned to eliminate the limit of joint liability of the demerged entities when concepts or items appear in their capital accounts that did not exist prior

to the company split, this in accordance with the possible amendment to Article 14 -B of the FTC in matters of demergers.

- In the case of Mexican residents with respect to operations that they maintain with related parties residing abroad and that constitute a permanent establishment in Mexico provided that they have effective control in terms of Article 176 of the MITL.

xi. Information of the RFC

The bill of amendment seeks to modify several aspects of Article 27 of the FTC:

- A single e-mail address and a telephone number must be registered and maintained by taxpayers in the RFC, or other means of contact, as determined by the SAT in general rules;
- The SAT would have authority to suspend or reduce the obligations of taxpayers when it is confirmed, with information of owned systems or with information provided by other authorities or third parties, that no activities have been carried out in the three previous years.
- Taxpayers who present the notice of cancellation in the RFC for total liquidation of assets, for total cessation of operations or for merger of companies, must:
    - Not be subject to audit reviews, or have open tax credits.
    - Not be included in the lists referred to in Articles 69, 69-B and 69 B-Bis of the FTC
    - That the declared income, as well as the tax withheld by the taxpayer declared in the corresponding returns, match with the amounts indicated in the CFDIs or other databases that the SAT has in its possession
    - The SAT will issue general rules to establish the means by which taxpayers must comply with these requirements

xii. Issuance of CFDI

The bill of amendment would modify Articles 29 y 29-A of the FTC with respect to the following:

- The obligation to request and obtain CFDIs is extended in the first paragraph of Article 29 of the FTC to people who undertake partial or deferred payments, settle balances of CFDIs, export goods that are not subject to sale, and withhold taxes.
- CFDIs issued for operations with the general public will also include those in which the issuer includes the generic RFC code.
- Catalogs with technological specifications will be implemented by the SAT to record the quantity, unit of measure and class of goods or description of services that are recorded in the CFDIs.
- When the considerations are not paid in a single exhibition, or a single exhibition is paid but at a time deferred to that in which the CFDI is issued, the rules for issuing and obtaining CFDIs for deferred payments and the corresponding tax stubs must be fulfilled. This change seeks to harmonize the Law with the criteria that the authorities have been holding in the miscellaneous resolution in the sense that payment supplements must also be issued when the collection is received in a single payment after the date of issue of the CFDI.

xiii. Extension of term to maintain accounting records

The bill of amendment would modify Article 30 of the FTC to establish the obligation to keep, for the whole term of existence of an entity, the information and documentation necessary to implement agreements reached as a result of dispute resolution procedures established in international treaties entered into by Mexico, documentary support to prove the economic substance of increases and decreases in capital stock, as well as the distribution of dividends or profits, granting or obtaining loans from related parties, reduction of tax losses and sale of shares.

Now, a relevant point to highlight is that in the case of meeting minutes in which the capital increase is recorded, there is an obligation to keep the account statements issued by financial institutions (for an increase in cash) or the corresponding appraisals in the case of capital increases in kind. In the case of capital increases due to capitalization of reserves or dividends, the shareholders meeting minutes in which said acts and the corresponding accounting records are recorded must be considered and in the case of increases due to capitalization of liabilities, the corresponding minutes along with the documents that

certify the existence of the liability and its value shall be maintained. This documentation is usually requested by the tax authorities in audit reviews to taxpayers that have carried out dividend payments, capital reductions or transfer of shares, so this amendment seeks to provide more elements to the tax authorities to support future resolutions.

xiv. Reporting of financial accounts

An amendment to Article 32-B Bis of the FTC is proposed regarding the date of filing of financial accounts reports so that financial institutions are able to do without having to expect an extension of the term by the SAT through the issuance of general rules.

xv. Assistance to taxpayer and general public

The bill of amendment seeks to modify Article 33, Section I, of the FTC to regulate the manner in which the authority can provide assistance to citizens and not only to taxpayers.

xvi. Precautionary sequestration of goods

The bill of amendment would reform Article 40 of the FTC to include as a preventive measure the sequestration of assets or of the negotiation of third parties related to the taxpayer, as well as of alcoholic beverages and containers that do not have authorized labels or seals. Thus, the precautionary sequestration may also be imposed over third parties related to taxpayers and / or jointly responsible persons who are being subject to audit review, since it has been observed that said third parties have resisted the audit procedures, highlighting third parties who carried out allegedly non-existent or simulated transactions, or people with income allegedly characterized as wages.

xvii. Changes to tax audit procedure

The bill of amendment would modify several provisions related to the audit review procedure by the SAT:

- Foreign Trade: It is envisioned to reform Section V of Article 42 of the FTC to specify that in the case of goods of foreign origin for which their legal stay in national territory is not demonstrated, the SAT will be obliged to seize them under the provisions of the Customs Law, whereas in other cases of seizing of goods, the authority is not obliged to comply with the provisions of the Customs Law.

- In-site audit minutes: Proposed modification to Article 44 of the FTC would establish the possibility for the SAT to carry out and conclude proceedings in which the audited taxpayer visitor and the witnesses refuse to sign the corresponding minutes or to accept to receive a copy of it. These changes are proposed as a solution to the alleged tendency of some taxpayers to refuse to sign or receive said documents and in order to preserve their validity in litigation.

- Technology use: The SAT would be allowed to use technological means such as photographic and video cameras, recorders, telephones, cell phones or others that allow it to gather information to determine the facts.

  Notwithstanding the foregoing, it is important to note that the proposal lacks measures that force the SAT to announce to the taxpayer that it is being recorded or that the facts and circumstances are being recorded. In doing so, the gathering of information by the SAT could lead to the recording of events or circumstances unrelated to the simple verification of compliance with tax obligations.

- Review of accounting report: Article 52-A of the FTC is amended to specify the capacity of the SAT to require the public accountant to appear before the SAT to fulfill and interrogation related to the working papers presented in connection with the preparation of an accounting report.

- Term to submit reports: Article 53 of the FTC would be amended to establish that taxpayers have an additional term of 10 days, to the original 6 day term, or even 15 day term, for the fulfillment of information requests by the SAT, when the documents to be provided are difficult to obtain, avoiding the establishment of fines for untimely presentation.

- Electronic review on foreign trade matters: Article 53-B of the FTC would be amended to establish that the deadlines for the conclusion of electronic reviews in foreign trade matters expire within a period of six months, extending the period to two years only in the event that there is a procedure by which an international cross-examination is carried out.

- Tax Secrecy: Article 69 of the FTC would be amended to establish that images and any recorded material must be kept under absolute confidentiality, except when a complaint for the commission of crimes is to be filed.

xviii. Undue transfer of tax losses

Article 69-B Bis would be amended to include the following:

- It is clarified that the undue transmission of tax losses refers to the undue transmission of the right to reduce said losses.
- The concept of undue transfer of the right to reduce tax losses is expanded, so that it is not only applicable to those cases in which a deduction is covered by the subscription of credit instruments, but also includes deductions protected by any other legal form.
- 20 days are granted to the taxpayer to provide clarification regarding the presumption of the SAT, as well as to express the purpose of the legal acts that gave rise to the transmission of the right to reduce tax losses, in order to make sure that said operations had the purpose of the development of the taxpayer's business activity and were not carried out for the sole purpose of obtaining a tax benefit.
- The taxpayer is granted the possibility of requesting an extension to provide information and documentation that undermines the presumption of the authority.
- The procedure to rebut the presumption of the SAT is standardized with other procedures in which the taxpayer has the opportunity to rebut assumptions made by the SAT.
- The bill would establish that the undue transfer of the right to reduce tax losses shall be considered as a simulated act, under the terms of the FTC.

xix. Conclusive Agreements before Taxpayer's Ombudsman (commonly referred to as PRODECON)

An adjustment to the Conclusive Agreement procedure is proposed, which would include the following modifications:

- Limitation of the term to file a Conclusive Agreement, that is, fifteen business days following the one in which:
  - The issuance of the final minutes (in-site audit)
  - The observations letter were notified (audit on SAT offices)
  - The provisional resolution has been notified (electronic review).
- As it was already stated in the FTC, the conclusive agreement might be filed provided that the SAT has already set a position with respect to the audit being performed.
- It is proposed than in the cases listed below the conclusive agreement would not be accepted, due to the nature of the revision performed by the SAT:
  - Regarding tax refunds,
  - When a revision is conducted to review the operations performed with a taxpayer under tax audit procedure.
  - When the SAT issues a new tax assessment derived from a Court resolution
  - In those cases in which the conclusive agreement were requested by a company involved in sham transactions, either pending or already black listed (EFOS),
  - When the period of fifteen days following the issuance of the final minutes, observations or the provisional resolution have been elapsed.
- The bill would also add Article 69-H, first paragraph of the FTC to clarify that the conclusive agreement reached before the Taxpayer Ombudsman cannot be challenged (even before international organizations), so that neither of the following procedures will be accepted against the conclusive agreement:
  - Domestic litigation procedures, nor

- Dispute resolution procedure contained in a tax treaty

xx. Fines related to transfer pricing and term adjustment

- Section V of Article 75 of the FTC would be added, to impose fines over the non-compliance with the transfer pricing provisions.
- It is proposed to modify Section VII of Article 75 of the FTC, to grant taxpayers a period of thirty business days after the notification of the resolution containing a tax assessment to pay or guarantee the tax assessment, which is consistent with the due date for filing the administrative appeal
- Penultimate paragraph of Article 76 of the FTC would be repealed to eliminate the 50% penalty reduction in the case of breaching of obligations related to transfer pricing.

xxi. Fine For Telecommunication Carriers

- Article 90-A would be added to establish a fine for telecommunication carriers that do not comply, within a maximum period of five days, with the order to block access to the internet connection to digital platform service renderers. The penalty would range from MXN$500,000.00 to MXN$1'000,000.00
- The same penalty would apply when the telecommunication carriers do not carry out the unblocking
- The same penalty would apply for each calendar month that elapses without complying with the above.

xxii. Presumption of contraband/smuggling of goods

Section XXI to Article 103 of the FTC would be added, to establish the presumption of contraband/smuggling upon the non-return, transfer or change of regime of imported goods in terms of Article 108, section III of the Customs Law.

xxiii. Documents in a language different from Spanish

It is proposed to specify in Article 123 of the FTC that taxpayers that file/submit any type of information and documentation in a language other than Spanish before the SAT, must attach the proper translation by certified expert.

xxiv. Term for a Resolutions to be Enforceable

It is proposed to specify that the term for a resolution to be enforceable shall start after the thirty days available to challenge such resolution, repealing the previous text in which it was mentioned that such term was of fifteen days.

xxv. Notifications

- At the taxpayer's tax domicile: First and second paragraphs of Article 137 would be amended, to specify that in the event that there is no one in the tax domicile with whom the diligence can be carried out or whoever is found refuses to receive the notification, then the notification shall be fixed at the main access of the taxpayer's tax domicile, and the SAT official will be entitled to use technological tools to secure a proof of the actions took to perform the notification

  Moreover, it is proposed to specify that the use of technological tools to collect images or material that serves as proof of the notification procedure will be protected by fiscal secrecy.

- At a public place located in the SAT's offices: First paragraph of Article 139 of the FTC would be modified to reduce the legal term for this kind of notification to be available in a public place located in the SAT's offices, from fifteen to six days.

xxvi. Tax Guarantee

- It is proposed to modify Section V of Article 141 of the FTC to clarify that the administrative seize of assets, to guarantee the SAT action, may be applied on tangible and immovable property, except rustic properties, as well as on business assets.

- Intangible assets, such as trademarks, cannot be considered as guarantee.

xvii. Seizing of Credits

- The bill proposes to reform Article 160 of the FTC to specify that the seizure of credits will be notified directly by the SAT to the debtors of the taxpayer, and requiring them to report the characteristics of the contractual relationship with the taxpayer, clarifying that a fine will be imposed in case such debtors do not attend SAT request within three days.

- It is proposed to allow the SAT to require the debtors not to make the payment of the respective amounts to the Taxpayer but to the SAT, advised of double payment in case of disobedience.

xviii. Auction of goods seized by the SAT

- Auction announcement: It is proposed to modify Article 176 of the FTC, to indicate that the auction announcement will be published on the website of the SAT.

- Notification to creditors: It is proposed to modify Article 177 of the FTC to specify that the creditors that appear in the certificate will be considered notified of the date on which the auction will take place, on the one on which the announcement was published in the website of the SAT.

xxix. Abandonment of Goods

It is proposed to establish that the notifications will be made using any of the forms established in Article 134 of the FTC. Therefore, in cases where the SAT does not have the data to notify the individual, notifications will be made by a publication in the SAT's offices.

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For further information and to discuss what this development might mean for you, please get in touch with your usual Baker McKenzie contact.