

# Indirect Tax Alert

News from EY Americas Tax

## Mexico's tax authorities issue temporary regulations for nonresident providers of digital services

---

### EY Tax News Update: Global Edition

EY's Tax News Update: Global Edition is a free, personalized email subscription service that allows you to receive EY Global Tax Alerts, newsletters, events, and thought leadership published across all areas of tax. Access information about the tool and registration [here](#).

---

### EY Americas Tax

EY Americas Tax brings together the experience and perspectives of over 10,000 tax professionals across the region to help clients address administrative, legislative and regulatory opportunities and challenges in the 33 countries that comprise the Americas region of the global EY organization. Access more information [here](#).

---

The Mexican tax authorities issued temporary regulations that implement various provisions of the recently enacted tax reform, including new Title 12 on the rendering of digital services. Title 12 establishes new tax obligations for digital service providers, including nonresident providers that otherwise do not have a taxable presence in Mexico.

Title 12, *Rendering of Digital Services*, is divided into three chapters. The first chapter addresses general requirements for the digital services provided directly to recipients. The second chapter addresses digital service providers that act as intermediaries, and the third chapter addresses obligations and options for individuals that provide services or sell goods through a digital platform. This Tax Alert covers the regulations for nonresident digital service providers in chapters one and two.

### Background

Mexico's tax reform includes rules that impose tax obligations on certain digital service providers, including nonresidents without a permanent establishment in Mexico. These obligations include registration in Mexico with the taxpayer registry as well as the collection and reporting of value-added tax (VAT) on certain transactions. The rules for digital service providers become effective 1 June 2020 and will require nonresident service providers to establish a tax domicile in Mexico, appoint a representative in Mexico, and establish a system for collecting and reporting transactions in Mexico, among other things.

## Registration for a tax identification number

To meet their income tax and VAT obligations under the tax reform, digital service providers must register with the taxpayer registry using new forms. Generally, these forms can be summarized as follows:

*1/PLT - Request for taxpayer registration in the federal taxpayer registry of nonresident digital service providers.*

This request for a taxpayer identification number (RFC) must be submitted along with the taxpayer's official tax address in Mexico and the name of the taxpayer's legal representative.

*2/PLT - Request to establish electronic signature for nonresident digital service providers.* Upon obtaining an RFC, an electronic signature must be established for the legal representative for purposes of filing tax returns and documents.

*3/PLT - Request for registration as a withholding agent in the taxpayer registry of nonresident intermediation digital service providers.* Digital service providers that act as intermediaries between third parties for the sale of goods or services must withhold VAT and income tax on certain transactions. As such, registration as a withholding agent is required.

*4/PLT - Notice of update of economic activities and obligations for platforms that provide intermediation digital services.* This document is required when a digital service provider changes the type of service it provides to include intermediation activities. This document is specifically required for service providers that registered with the tax authorities before 1 June 2020 and must be filed by 30 June 2020.

The tax authorities will publish the list of registered digital service providers on a bimonthly basis within the first 10 days of January, March, May, July, September and November each year. This list will include the name of the digital service provider, commercial name, city and country of incorporation, and date of registration.

To the extent that a Mexican resident pays for digital services and the service provider is not registered with the Mexican tax authorities, the taxpayer should self-assess the VAT as "an incidental act subject to VAT" within 15 days of payment.

## Invoicing requirements

Digital service providers must issue invoices to the Mexican residents, upon request, that separately state the value of the services and the VAT. The temporary regulations require the invoices to include the following information:

- ▶ The service provider's name
- ▶ The city and country where the invoice is issued
- ▶ The service provider's RFC
- ▶ The price or value of the services without VAT
- ▶ The VAT amount for the services
- ▶ A description of the service or transaction
- ▶ The date of issuance and period covered by the consideration
- ▶ The tax identification number of the recipient of the services

The service provider must issue the invoices in PDF form and send them electronically to service recipients upon request.

For services whereby the digital service provider acts as an intermediary, a formal electronic receipt (CFDI) must be issued beginning in 2021. This document should indicate the amount of the income or VAT withheld on the transaction and should be coded as "Technological Service Platform." Before 2021, individuals engaged in the sale of goods or services may issue an informal document as a receipt. The document, however, must include:

- ▶ The name or identity of the service provider
- ▶ The city and country in which the invoice is issued
- ▶ The service provider's RFC
- ▶ The individual's RFC, if available
- ▶ The amount of the consideration for the services without VAT
- ▶ The amount of the VAT for the service
- ▶ A description of the service or type of transaction
- ▶ The date of issuance and period covered by the payment
- ▶ The number of the bank account into which the consideration was deposited
- ▶ The income tax withheld on the total amount of income earned by the individual through the platform for the month
- ▶ The amount of VAT withheld from the collected payment

## Payment of tax

Mexican taxes must generally be paid through a Mexican bank account in pesos. The temporary regulations permit nonresident service providers to remit the tax in foreign currency through banks designated by the tax authorities. There are rules addressing the calculation of the tax in the foreign currency. These rules allow digital service providers to pay the tax without the need to open a Mexican bank account.

For additional information with respect to this Alert, please contact the following:

**Mancera, S.C., Mexico City**

- ▶ Koen van't Hek                      koen.van-t-hek@mx.ey.com
- ▶ Lourdes Libreros                      lourdes.libreros@mx.ey.com
- ▶ Javier Diaz de Leon                      javier.diazdeleon@mx.ey.com

**Ernst & Young LLP (United States), Latin American Business Center, New York**

- ▶ Ana Mingramm                      ana.mingramm@ey.com
- ▶ Enrique Perez Grovas                      enrique.perezgrovas@ey.com
- ▶ Jose Manuel Ramirez                      jose.manuel.ramirez@ey.com
- ▶ Pablo Wejcman                      pablo.wejcman@ey.com

**Ernst & Young LLP (United States), Latin American Business Center, Miami**

- ▶ Terri Grosselin                      terri.grosselin@ey.com

**Ernst & Young LLP (United Kingdom), Latin American Business Center, London**

- ▶ Jose Padilla                      jpadilla@uk.ey.com

**Ernst & Young Tax Co., Latin American Business Center, Japan & Asia Pacific**

- ▶ Raul Moreno, *Tokyo*                      raul.moreno@jp.ey.com
- ▶ Luis Coronado, *Singapore*                      luis.coronado@sg.ey.com

**About EY**

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](http://ey.com).

Indirect Tax

© 2020 EYGM Limited.

All Rights Reserved.

EYG no. 000439-20Gbl

1508-1600216 NY

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

**[ey.com](http://ey.com)**