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# Indirect Tax Alert

News from EY Americas Tax

## Mexico's Tax Administration issues additional regulations on obligations of foreign digital service providers

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On 12 May 2020, the Mexican Tax Administration Service (SAT for its Spanish acronym) published amendments to the temporary regulations for 2020, which include additional regulations on the new obligation for foreign digital service providers to register, collect and remit value-added tax (VAT) in Mexico. These new obligations were included in the 2020 tax reform and are generally effective 1 June 2020. The regulations supplement the temporary regulations published on 28 December 2019.

The amendments also include regulations on the suspension of certain due dates, which were discussed in EY Global Tax Alert, [Mexico proposes amending miscellaneous tax regulations to suspend certain due dates in response to COVID-19](#), dated 6 May 2020.

### Background

Under Mexico's 2020 tax reform, certain digital services are subject to VAT, when a foreign company provides these services to a Mexican resident. The new regime applies only to the services listed below, when the services are "provided through applications or in digital form through the internet or other network, are fundamentally automated, and may or may not require minimal human intervention, as long as payment is collected for the services":

- ▶ Download or access to images, movies, texts, information, video, audio, music, games (including games of chance), multimedia content, multiplayer services or environments, ringtones for mobile devices, online news, traffic information, weather forecast services, and statistics
- ▶ Intermediation services between potential sellers and buyers of products and services
- ▶ Online clubs and dating sites
- ▶ Long-distance learning or online tests

## Proposed regulations

The new regulations clarify that monthly returns and tax payments will be due on the 17th day of the month following the month subject to tax, which is consistent with general Mexican due dates for compliance obligations. The regulations also indicate that a guide for completing the return will be published on the SAT's website. In addition, the regulations deem taxpayers as in compliance with the requirement to report on a quarterly basis information on the number and types of transactions entered into monthly when they file the monthly return. Based on the limited information in the proposed regulations, it is not clear what information other than the total sales activities and calculation of VAT at the 16% rate will be included in the monthly return.

The SAT also will publish guides on its website for the filing of the returns for income tax and VAT withholding, which are required for foreign service providers that act as intermediaries. The return and payment of withheld taxes are due on the 17th day of the month following the date that the transactions occurred.

Regarding the information return, which must be filed monthly by foreign service providers that act as intermediaries, the SAT will publish a guide to assist with filing. Foreign service providers will have to file the report on the 10th day of the month following the month being reported. The report will include information about the clients that are selling goods and services through the platform, even if the foreign company's platform is not collecting the payments on behalf of the Mexican sellers of goods and services.

In addition, the regulations allow foreign companies that are acting as intermediaries for buyers and sellers of goods and services to publish the price for the goods and services listed on the website or platform, inclusive of VAT. The law requires the price and VAT to be separately stated on these platforms. However, new regulation 12.2.11 allows the price to include VAT, as long as "VAT included" is used. This rule specifically applies to goods and services offered through a platform whereby the foreign company acts as an intermediary for sellers and buyers of goods and services, as well as the temporary use of assets.

The regulations also provide additional guidance for individuals who are selling goods or services or leasing assets through a platform.

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