

# Indirect Tax Alert

News from Americas Tax

## Mexico: VAT on digital services bill submitted to Chamber of Deputies

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On 5 September 2019, a bill was submitted to Mexico's Chamber of Deputies that would amend the Value-Added Tax (VAT) Law and the Federal Fiscal Code (FFC) to impose a VAT on digital services rendered by nonresidents without a permanent establishment in Mexico to customers located in Mexico. Those nonresidents, however, would be entitled to opt to pay the VAT directly or be subject to a VAT withholding mechanism provided by the VAT Law.

The current draft does not provide additional details as to how a nonresident without a permanent establishment in Mexico would make a VAT payment directly without a Mexican tax identification number. However, the proposal does provide that financial institutions and other persons through which the payment of services is made in advance would be required to withhold the VAT, instead of the customers. Additionally, the bill also would amend the FFC to establish that the financial institutions and other persons through which the payment of services is made will be jointly liable for any unpaid tax.

To be enacted, the bill has to be approved and then published. Once enacted, regulations to implement the amendments would be issued by the Mexican tax authorities.

This bill is independent of the economic package for 2020, which was submitted on 8 September 2019, by the Mexican Federal Executive to the Congress. The economic package also includes changes in connection with digital platforms. A separate Tax Alert will provide further details on the economic package for 2020.

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