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Senate Approves 2010 Tax Bill

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COUNTRY DIGEST

Senate Approves 2010 Tax Bill

Mexico's Senate on October 29 approved an amended version of the 2010 tax bill, which was passed by the Chamber of Deputies on October 21. (For prior coverage, see *Tax Notes Int'l*, Oct. 25, 2009, p. 238, *Doc 2009-23211*, or *2009 WTD 202-1*.)

The amendments are still subject to President Felipe Calderón's approval, and the legislation then must be published in the official gazette.

The Chamber of Deputies Vote

The bill approved by the Chamber of Deputies included a temporary increase of 2 percentage points in individuals' top income tax rate and the fixed corporate tax rate (a maximum individual income tax rate and a flat corporate rate of 30 percent would apply from 2010 to 2012 before being reduced to 29 percent for 2013 and to 28 percent starting in 2014).

The Chamber of Deputies modified the tax consolidation regime to limit its application to five years. Any income tax that has been deferred from 2005 and that will be deferred starting in 2010 as a consequence of the tax consolidation regime will have to be paid in the sixth year following that in which the deferral was obtained. To prevent a negative effect on the cash flow of groups that consolidate for tax purposes, the Chamber of Deputies' version of the bill states that the tax deferred starting in 2010 may be paid in installments: 40 percent in the first year and 15 percent in each of the following four years.

The same installment regime was approved for income tax deferred before 2005, and deferred tax derived from net operating losses and dividends paid under the tax-free dividend flow before 1999 did not have to be determined and paid.

The Chamber of Deputies approved new excise taxes and increases to several existing excise taxes, as well as an increase in the general VAT rate, from 15 percent to 16 percent.

An increase in the rate applicable at the border, from 10 percent to 11 percent, was approved as a result of the rejection of a new 2 percent tax to fight poverty.

The Senate Vote

The Senate generally approved the 2010 tax bill as it was received from the Chamber of Deputies, with some amendments.

The Senate amended the temporary increase in the top individual income tax rate so that it would affect only individuals earning more than MXP 10,298.35 monthly.

The Senate also approved the changes to the tax consolidation regime, with an amendment to the proposed installment regime. Under the Senate version of the bill, any income tax that has been deferred from 2005 and that will be deferred starting in 2010 would be paid in installments of 25 percent the first year, 25 percent the second year, 20 percent the third, and 15 percent in the fourth and fifth years.

The installment regime for income tax deferred as of 2004 would be as follows: 25 percent on June 2010, 25 percent together with the consolidated tax return for 2011, 20 percent with the consolidated tax return for 2012, and 15 percent at the time of filing the consolidated income tax return for 2013 and 2014.

An excise tax increase from 50 percent to 53 percent on the sale of some alcoholic beverages was approved, but the rate would drop to 52 percent on 2013 and to 50 percent starting in 2014. The Senate rejected an additional fee on cigarettes under a transitional regime with lower rates for 2010, 2011, and 2012 (however, the Chamber of Deputies on October 31 did not accept the Senate's rejection of this provision, so the issue will be reexamined by the Senate). A new tax on telecommunications services was approved, but it excludes Internet services.

The Senate also approved the amendments to the VAT rate. ◆

♦ *Oscar Lopez-Velarde and Enrique Perez-Grovas, associates, Chevez, Ruiz, Zamarripa y Cia., S.C., Mexico City*