



# RELEVANT TAX ASPECTS COVID-19

*Mexico City – 04/14/2020*

The information contained herein is of a general nature and is not intended to address the circumstances of any individual or entity in particular. No one should take action based on such information without proper professional advice after a detailed study of the particular situation.

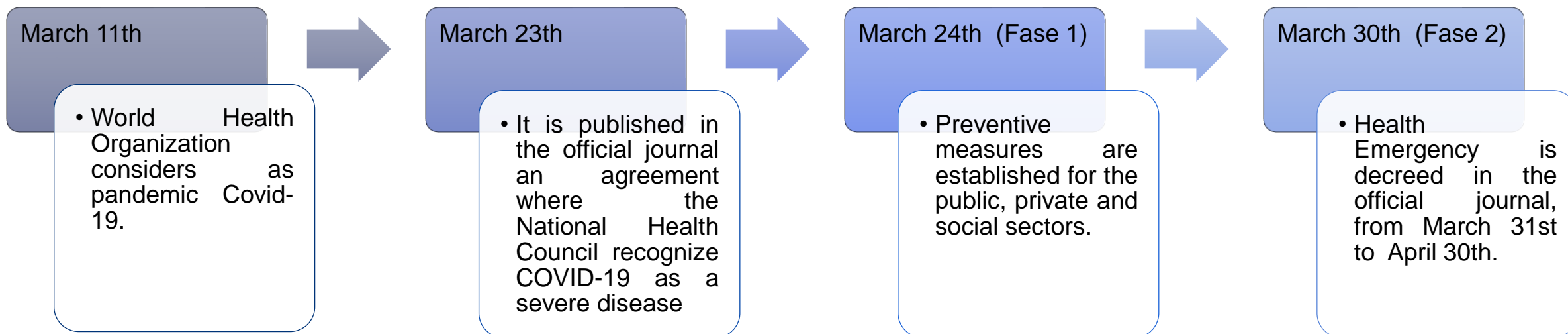


1. HEALTH EMERGENCY
2. FEDERAL TAXES AND CONTRIBUTIONS (SOCIAL SECURITY AND HOUSING FUND)
3. STATES INCENTIVES
4. LAST NEWS





 HEALTH EMERGENCY



## HEALTH EMERGENCY VS HEALTH CONTINGENCY

The article 427 of the Federal Labor Law (FLL) establishes that these are causes for the temporary suspension of labor relations in a company or establishment, and of which section VII mentions the following:

*The suspension of work or jobs, declared by the competent health authority, **in cases of health contingency.***

For such purposes, Article 429 of the FLL in its section IV provides that:

*In cases of health contingencies, the employer shall be obliged to pay its workers compensation equivalent to **one day's general minimum wage in force, for each day of suspension without exceeding one month's salary.***

Currently, the situation of COVID-19 in Mexico is classified as a **health emergency**, so it is not in the case of section VII of Article 427 of the FLL, but must comply with the conditions set out in the health emergency decree of March 30th, 2020.

# HEALTH EMERGENCY MARCH 30TH 2020 DECREE

The Federal Government published a list of essential activities that must continue operations in order to keep the Mexican economy functioning, but also ordered the immediate temporary suspension of all other activities considered as non-essential from March 30, 2020 to April 30, 2020.

## Essential Activities

- Financial Sector
- Internal Revenue Services (SAT )
- Oil & Gas
- Generation and distribution of drinking water
- Food and Beverages not alcoholic.
- Supermarket

## Essential Activities

- Self-service shops
- Grocery and prepared food sales
- Passenger and cargo transport services
- Agricultural, fisheries and livestock production
- Agribusiness
- Chemical industry

## Essential Activities

- Cleaning products
- Hardware stores
- Messenger services
- Guards and private security work
- Nurseries and children's rooms
- Senior Citizen Facilities
- Shelters and care centres for women victims of violence, their children

## Essential Activities

- Telecommunications and Media
- Private emergency services, funeral and burial services
- Storage and cooling chain of essential inputs
- Logistics (airports, ports and railways)
- As well as activities whose suspension may have irreversible effects for their continuation.

## HEALTH EMERGENCY MARCH 30TH 2020 DECREE

Employers are required to maintain labor relations with their employees, including the full payment of wages and benefits during such period; it is understood that failure by employers to comply with this obligation will result in the imposition of fines.

Fine for failure to pay on time or omitting to pay:

UMA: is the economic reference in pesos to determine the amount of the payment of the obligations and assumptions foreseen in the federal laws

Fine for failure to pay on time or omitting to pay:

**From 50 to 5,000 UMA's equals to \$4,344 or \$434,400 pesos**

Fine for payment less than the salary to be covered:

**From 800 a 3,200 UMA's, equals to \$69,504 or \$278,016 pesos**

Value of UMA for 2020 \$86.88 per day.



## HEALTH EMERGENCY EXTRAORDINARY INSPECTIONS

On April 1st, the criteria applicable for the development of extraordinary inspections derived from the declaration of sanitary emergency were published.

The General Directorate of Federal Labor Inspection will visit those companies where it is known, by any means, that there are likely to be breaches of labor standards or complaints or allegations that workers are working in conditions that put their health at risk due to exposure to COVID-19.

In the event of being caught, the employer or his legal representative shall be asked to suspend activities immediately. If the employer refuses to suspend activities, the inspector shall file a complaint with the Public Prosecutor's Office for the fact that the employer did not respect the aforementioned agreement.



 **FEDERAL TAXES AND CONTRIBUTIONS  
(SOCIAL SECURITY AND HOUSING FUND)**

## **Taxes and federal contributions**

- As of today, no Benefit or stimulus has been granted in which regards to federal taxes or contributions, such as Value Added Tax (VAT), Excise Tax (IEPS) or Corporate Income Tax (CIT)

## **Terms and official deadlines extensions**

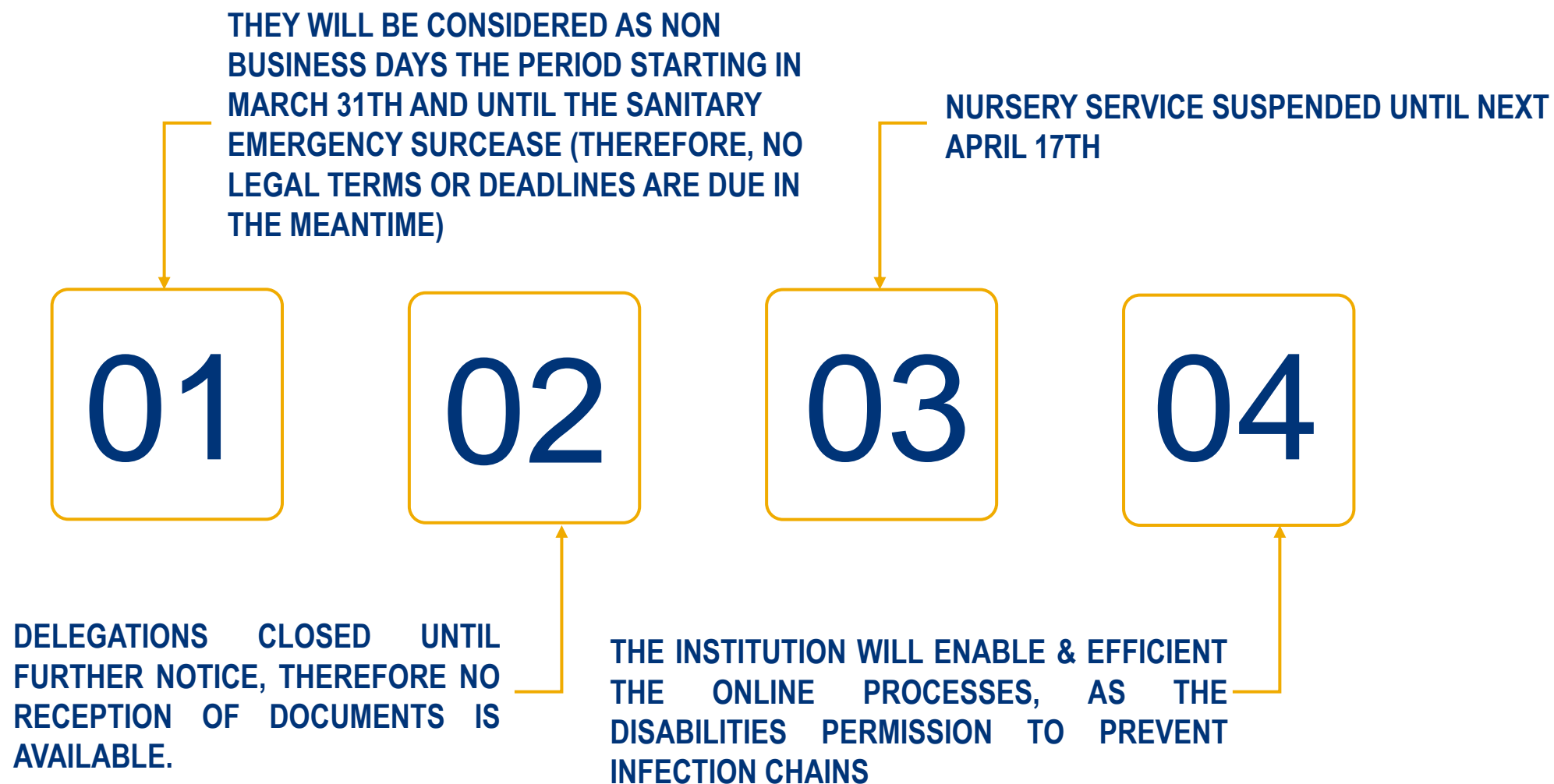
- All jurisdictional activity of the National Supreme Court has been extended, considering as no business days form the March 18th to april19th of 2020
- All jurisdictional activity of the Federal Court of Administrative Justice has been extended, considering as no business days form the March 18th to april19th of 2020

\*All tax collection has been considered as an essential activity; *therefore, no extension period can be considered for federal tax purposes or related processes.*

## Other important points

- Possible transfer pricing or tax effects for case of force majeure and extraordinary events.
- Commercial & contractual aspects.
- Compliance (Suppliers, Thin Capitalization, Interest limit, FX rate, Bad debts, Debt relief, destruction of inventory, payment in kind).
- Reportable schemes, COGS, depreciation & amortization of fixed assets, Withholdings on intercompany transactions or dividend payments.

IMSS



# TAXES & FEDERAL CONTRIBUTIONS (IMSS – INFONAVIT)

INFONAVIT

01

FUND OF 7,326 MILLIONS, TO COVER THE UNEMPLOYMENT INSURANCES STARTING ON APRIL 15TH (MAY, JUN, JUL) – PRIOR REQUEST OF THE BENEFICIARY

02

PROVIDE THE DEFERRAL OF THE HOUSE PAYMENT FOR 3 AND AS UP TO 6 MONTHS WITH NO ADDITIONAL INTEREST – PRIOR REQUEST OF THE BENEFICIARY

03

BENEFIT TO APPLY THE 25% TO THE RATE OF MONTHLY PAYMENT THROUGH PAYROLL TO THOSE EMPLOYEES WHO EMPLOYER ENTER IN TECHNICAL STOPPAGE, AS UP TO 15 MONTHS.

04

THE INSTITUTION WILL EXPEDITE THE WORK PERMITS & CREDIT SIGNATURES, TO HAVE A STOCK OF REAL PROPERTY TO OFFER AND DECREASE THE ECONOMIC CRISIS

A complex network of glowing nodes and connections, primarily in shades of blue, with some nodes in yellow, orange, and red. The nodes are interconnected by thin, light blue lines, creating a dense web of connections. The background is dark, making the glowing elements stand out.

## STATES INCENTIVES

## MEXICO CITY

- They suspend terms and deadlines for the practice of actions and proceedings in administrative procedures that take place before government agencies.
- The deadlines for compliance with the obligations contained in the CDMX Fiscal Code consisting of the filing of returns and making payments to be made during the month of April 2020 are extended, and may be made until April 30 of the same year (ISN, ISABI, holding and ISH to mention a few).

## ESTADO DE MÉXICO

- Car license payment until June 30th, 2020.
- A subsidy of 50% on the Payroll Tax of the amount to be paid in April is granted, only for those who have 50 employees hired and do not reduce their work force, said tax must be paid until May 11, 2020.

## HIDALGO

- March and April is exempted from 50% ISN for taxable base up to \$500.00 taking as reference February 2020, 5% ISN for taxable base greater than \$500,000.



## VERACRUZ

- The state payroll tax of March and April, Will be deferred to be paid between the 1th of July and December 31th, only applicable to those companies with no more tan 50 employees.

## PUEBLA

- Deferred payment for the property tax as of May 31th.

## GUANAJUATO

- Forgiveness of the late fees & surcharges triggered during March 2020
- Payment in installments for the state payroll tax of March & April.

## JALISCO

- Car license payment until May 31st, 2020.

## NUEVO LEÓN

- From 17 March to 20 April, the legal deadlines for filing administrative appeals and for complying with requests for data, reports or documents requested by the audit authorities are extended.

## TLAXCALA

- Suspension of inspection activities as of 20 March.
- The deadline for the exchange of plates and the 2020 referendum is extended by two months, until June 30, 2020.

## OAXACA

- Reduction of 50% in the second bimester of 2020 regarding the state payroll tax, for those companies that can credit the their incomes have decrease int he same period.
- 100% reduction on the second bimester of 2020 on the hotel room tax.

## YUCATÁN

- Personal work tax reduction of a 50% and another 50% of March and April can be deferred as of December 10th.
- Extension to file the professional exercise tax and the business tax as of December 10th

## QUINTANA ROO

- If the state payroll tax, hotel room tax and tax for the mineral extraction from the soil and subsoil is paid in time a 20% discount Will be applied during March, April, May & June
- Land use and vehicular tenure with a discount of as up to 50% until May.

## CHIHUAHUA

- Payroll tax, write-off 100% of the tax for companies with less than 50 employees; 50% for those between 51 - 90 employees (April and May). Pending publication in the Gazette.
- Payroll Tax: Extension of 50% of the tax for companies with more than 90 employees until November and December, as long as they keep 70% of their staff (April and May). To be published in the Official Gazette
- Temporary suspension of acts and deadlines for inspection by the tax authorities.

## SINALOA

- Tax on accommodation: extension of one month in the payment of tax corresponding to the month of March..

## DURANGO

- Payroll Tax: 50% exemption for micro, small and medium enterprises; in addition, a remission of up to 75% for those that establish measures to provide goods and services to citizens, this during the validity of the decree.
- State procedures: 5% discount on all state procedures, including payment of vehicle fees.

## SONORA

- Payroll state tax forgiveness on a 50% for those companies with 50 employees or less
- Hotel room tax forgiveness on a 100%.
- Suspension of Business days for those state tax processes during April and May.

## TAMAULIPAS

- Payroll state tax for April and May can be deferred for all those companies that had during the first quarter of the year at least 20 employees.

## ZACATECAS

- State payroll tax forgiveness in a 100% for companies with less of 20 employees, 50% on those within 21 and 40 employees and 30% for companies with more than 40 employees
- Hotel room tax forgiveness on a 100% for April and May.

## COLIMA

- Payroll Tax and Tax on Accommodation for the months of February and March can be paid without surcharge until 30 April 2020.

## MICHOACÁN

- Subsidy of 100% of the Payroll Tax during the months of March, April and May to small and medium enterprises with less than 50 workers linked to the tourism sector (restaurants, hotels, spas and travel agencies) and that do not make layoffs during the contingency.

## MORELOS

- The obligation to pay the tax on personal work expenses is deferred for the months of March, April and May to be done at the latest by 30 June 2020. When the payment is made within this period, no surcharges or updates will be caused.

## BAJA CALIFORNIA SUR

- Suspension of Business days for those state tax processes as of April 20th.

## SAN LUIS POTOSÍ

- Suspension of activities on the superior Audit of the state, establishing as non business days the period starting on March 19th and as of March 19th.

A close-up photograph of a person in a dark blue suit and red tie, leaning over a desk. Their right hand is holding a silver pen and writing on a white document. Their left hand is resting on the desk. The background is softly blurred, showing a window with light coming through. In the bottom right corner, there is a logo for MAZARS, consisting of a red square with a white 'M' and a blue square with a white sunburst pattern, followed by the word 'MAZARS' in white capital letters. In the bottom left corner, there is a logo for LATS NEWS, consisting of a small flag with red, white, and blue horizontal stripes, followed by the text 'LATS NEWS' in black capital letters.

 LATS NEWS



## **National economic plan for COVID-19 crisis:**

- Don not create new taxes or increase the existing ones.
- Refund the VAT of the tax payers in a more quicker manner.
- Those government White collar employees Will decrease their salaries, and they will eliminate their Christmas bonus.
- Social programs.



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