

VAT Certification

The VAT and Excise Certification was implemented in 2015. The main objective of the VAT and Excise Certification is to continue not paying VAT on temporary imports. Entities that will benefit the most are those with VAT credits granted with the IMMEX (manufacturing industry, maquiladora, and export services) program.

The Mexican Tax Administration Service (SAT) also implemented a system for monitoring and controlling the balances of VAT credit applied within those temporary imports (known as Annex 31).

Anyone visiting or doing business in Mexico will quickly run into the IVA tax. IVA is the Spanish acronym for value-added tax (**VAT**) (or in Spanish, Impuesto al Valor Agregado, **IVA**). Value-added tax is levied on imported materials and distributed goods and at the point of sale. In Mexico, the IVA is 16% through most of the country, but 8% in more than 40 local districts near the U.S. border, through the states of Baja California, Sonora, Chihuahua, Coahuila, Nuevo Leon, and Tamaulipas.

It applied in the following broad scenarios:

- When goods are imported.
- When goods are sold.
- When independent services are rendered.
- When goods are used.

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Mexico VAT rates

Rate	Type	Which goods or services
16%	Standard	All other taxable goods and services
8%	Reduced	VAT at Southern and Northern border regions
0%	Zero	Exports; certain basic foodstuffs such as milk, wheat, meat and corn; medicine; some agricultural services

The IVA or VAT can be thought of as a single, standardized tax rate that is applied nearly equally across the country and at each point along the supply chain. If a good is sold in Mexico, the VAT tax is baked into the sale price. In this way, the VAT functions as Mexico sales tax. This tax exists in addition to other fees associated with manufacturing or transporting goods through the country.

REQUIREMENTS

Some of the requirements that companies must meet to obtain the certification are the following:

- Have an inventory control according to the applicable tax and customs regulations, especially Annex 24 of IMMEX Decree.
- Obtain a positive opinion from the Ministry of Tax, in terms of article 32-D of Federal Fiscal Code, regarding fulfillment of tax obligations issued with at least 30 days prior to the filing of the application. Such opinion must refer not only to the company, but also to its shareholders, legal representatives (powers of attorney), and members of the Board of Directors or Sole Administrator.

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- Have valid digital stamp certificates, in accordance with the Federal Fiscal Code.
- File the documents regarding the personnel registered with Social Security Institute, and the proof of payment of the applicable social security contributions with respect to at least 10 employees, for the preceding 2-month period of the fiscal year of 2013.
- File documents evidencing the investment made in Mexico.
- Submit the name of the customers and supplier's non-resident in Mexico, with which the company executed foreign trade operations during fiscal year of 2013.
- To allow access to the Customs Authorities for the performance of visits, audits, and inspections.

In addition, the Regulations set for other specific requirements that apply to IMMEX companies, companies that operate Bounded Warehouses, Strategic Bounded Warehouses, and Fiscal Warehouses, as the case may be. Some of them are the following:

For IMMEX Companies:

- Have an IMMEX program in effect.
- Register all domiciles in which any activity related to the maquila process is carried out.
- Evidence that the value of the final products re-exported abroad derived from the maquila process is at least 60% of the value of the raw material imported under a temporary basis during the same fiscal year.
- Evidence legal title or possession of the premises in which the maquila process is performed.

BENEFITS

Some of the benefits of the certification program are following:

Tax credit for VAT and STPS for the temporary importations. Performance of the export customs clearance in the tax domicile (only for "AAA" certified companies).

To obtain a VAT refund depending on the category of certification, as shown in the following graphic:

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VERIFICATION MODE	VALIDITY OF THE CERTIFICATION	MAXIMUM VAT REFUND PERIOD
A	1 YEAR	20 DAYS
AA	2 YEARS	15 DAYS
AAA	3 YEARS	10 DAYS

References:

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