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## EY TAX Flash

# Relevant changes to the Mexican VAT payment tax authorities' portal

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On February 2024, the Mexican Tax Administration Service (SAT) published on its website a new module to file Value Added Tax (IVA) returns of corporate entities, which is available for use since January 2024.

#### **I. New module in the application**

This application contains the following main changes:

1. Automatic pre-filling of income and expense information contained in digital tax receipts (CFDI) with PUE (payments in a single installment) and PPD (installments or deferred payments) codes. Payment receipts (electronic payment receipts) are considered based on a cut-off date in the previous month determined by the tax authority. VAT information of taxed and exempt transactions is included based on CFDIs.
2. Detailed tab for income and expenses with information stated in CFDIs, which includes new details on:
  - a. Cancellations.
  - b. Discounts.
  - c. Tax bases and VAT rates.
  - d. Exemptions.

3. Possibility to edit pre-filled amounts based on information stated in CFDIs for income and expenses.
4. The new application requires the usage of the electronic signature credential (previously called "FIEL").
5. SAT has informed that it will make updates and improvements to the application.

It is expected that in the future this application will serve as basis for the Mexican tax authorities to issue requirements of information/invitation letters in case of discrepancies automatically generated/detected based on the taxpayers' information.

## II. Our comments

1. Keep a detailed monthly record of CFDIs and electronic payment receipts, including status verification and update of CFDIs (valid/cancelled). This involves monitoring the transactions for which an electronic payment receipt must be issued and/or requested. In the case of electronic payment receipts, they must be requested from the corresponding issuer for recognition within the application, and likewise, payment supplements must be issued to customers, in accordance with current tax laws, by the 5th of the month following that in which the obligation was generated.
2. Obtain a detailed reconciliation of cash flows (deposits and withdrawals) vs. accounting vs. CFDIs (issued and received, including electronic payment receipts that support the VAT calculation), on a monthly basis.
3. Anticipate and correct potential risks related to the issuance and receipt of CFDIs, prior to the filing of the VAT calculation in the new application. For example:
  - ▶ Extemporaneous electronic payment receipts.
  - ▶ Electronic payment receipts incorrectly associated with a CFDI with a PUE code, cancelled CFDIs, or another electronic payment receipt.
  - ▶ Electronic receipts with an overpayment (where the sum of payments exceeds the amount of the original income CFDI).
  - ▶ Suppliers listed under articles 69 and 69-B of the Federal Tax Code.
  - ▶ Inconsistencies in CFDIs with a PUE code that should have had a PPD code and vice versa.
4. Keep track of and manage re-issuances and/or cancellations of issued and received CFDIs that support transactions.
5. Consider the authority's cut-off dates based on which it obtains information from CFDIs. We have observed that the authority pulls information one day in advance, so it is best to download CFDIs daily.
6. The information can be edited by taxpayers; however, there is a possibility that the application will change in the future, which could cause issues for filing of monthly VAT returns.
7. Keep processes supported by devices and technology that enable the following activities:
  - ▶ Downloading CFDI information directly from the authority's website daily.
  - ▶ For customers with a high volume of information associated with deposits, withdrawals, accounting records, CFDIs, it is necessary to have technology for agile data processing for decision-making prior to the calculation.
  - ▶ Promptly addressing changes in CFDIs (such as re-issuances and cancellations) as well as communicating with suppliers and issuing alerts for timely modification of CFDIs.

- ▶ Identifying alerts for risks related to issuance and receipt of CFDIs.
- ▶ Integrating the analysis of CFDIs into calculation and review processes.
- ▶ Reconciling cash flow information against the rest of the information sources, including accounting, CFDIs, and (if applicable) Data Stage.

To date, there is no guide containing the specifics of this new application, so it will be necessary to remain attentive on communications published by the authority, as well as potential issues that may arise due to updates of the application.

For more information on this matter, please contact the following EY professionals, who will be happy to answer your questions.

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