



GMS Flash Alert



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Mexico - Development Regarding Overpayments from 2018 Individual Returns

Certain individuals qualifying as tax residents of Mexico are obligated to file an Annual Income Tax Return no later than April 30, 2019 (no extensions allowed). Annual tax returns are filed electronically using the on-line software issued by the Mexican tax authorities for which each taxpayer should log in using his Mexican Tax ID number and tax passwords (Electronic Signature or "Contraseña").

According to the 10th Resolution of Modifications to the Miscellaneous Regulations ("Décima Resolución de Modificaciones a la Resolución Miscelánea Fiscal para 2018") published by the Mexican tax authorities on their website on April 1, 2019, and in the Official Gazette on April 10, 2019, there were updates to the conditions under which individuals will be eligible to participate in the "Automatic Refund Program," when a 2018 Mexican Annual Tax Return showing an overpayment is filed no later than July 31, 2019.¹

WHY THIS MATTERS

Depending on the amount of the overpayment as well as how and when 2018 Mexican Annual Income Tax Returns are filed, taxpayers may be required to apply a separate process to recover a refund, as they will not be eligible to participate in the "Automatic Refund Program."

Considerations for Participation in Automatic Refund Program

The Mexican tax authorities' rule in relation to overpayments derived from individuals' 2018 Annual Income Tax Returns has been modified. It now states that individuals can participate in a facility known as "Automatic Refund Program" until July 31, 2019, if they meet the conditions noted below.

- I. File the 2018 Annual Income Tax Return using the electronic signature called “e.firma” if the refund is between MXN 10,001 and 150,000. However, taxpayers can use their tax password, called “Contraseña,” to file the Annual Income Tax Return in the following cases:
 - When the refund amount is less than MXN 10,001.
 - When the refund amount is between MXN 10,001 and 150,000, and the taxpayer’s Mexican bank account information is already loaded in the tax authorities’ on-line software (i.e., registered in previous filings).
- II. Include the 18 digits number (“CLABE”) of the Mexican bank account of the taxpayer into which the refund would be deposited.

When the overpayment is not refunded (in part or in full), the taxpayer can resolve the issue employing the “Solve Inconsistencies” option. Taxpayer ID number, Contraseña, and e.firma are needed.

Taxpayers who cannot participate in the Automatic Refund Program include those who:

- have an overpayment above MXN 150,000;
- request a refund related to years before 2018;
- file the Annual Income Tax Return by using the Contraseña when obligated to file it with the e.firma;
- file a refund request (refund notice) before obtaining the outcome of the overpayment from the tax authorities;
- file the return or amended return without requesting a refund (the tax authorities’ on-line software allows various options regarding how the overpayment should be recovered (e.g., tax refund, offset it towards future income tax liabilities, or no selection));
- file the return or amended return, showing an overpayment, after July 31, 2019.

The Automatic Refund Program establishes that taxpayers should file a request of refund at the tax authorities’ webpage, for which e.firma and Contraseña is needed when:

- the taxpayer is not eligible to participate in the program;
- the taxpayer is eligible, but the refund is not totally or partially refunded and the taxpayer has not elected to solve the inconsistencies when reviewing the outcome of the automatic refund (if enabled).

Steps Tax Authorities Take

On a separate note, strictly speaking, tax authorities have a 40 work-day period to review the refund request and, if they agree, make the deposit of the refund. Nevertheless, once the refund request is filed by the taxpayer, tax authorities have a 20 work-day period to ask for additional information which should elicit a response by the taxpayer in the same term (the 20 working days).

After this initial request, tax authorities can ask for further clarification regarding the information provided, within the 10 days after the taxpayer provided the initially requested information. Taxpayers should respond to this request within the next 10 working days.

When tax authorities request further information, the period between the date on which the information is requested and then provided by the taxpayer is not counted within the 40 work-day period. In addition, if during the process the taxpayer is required to provide more information within a certain period of time and that is not subsequently provided within the stipulated timeframe, the initial request will be considered “null and void” and the process will need to be started again.

KPMG NOTE

It is important to mention that for Mexican tax returns showing an overpayment, even though no late filing charges apply if filed after the April 30 deadline, tax authorities could impose a fine if, upon exercising their review, they detect that the return was not filed by the noted deadline.

FOOTNOTE:

1 For *Resolucion Miscelanea Fiscal*, click [here](#).

For the *Décima Resolución de Modificaciones a la Resolución Miscelánea Fiscal para 2018 y sus anexos 1-A, 14, 23, 25 y 25-Bis* in the *Diario Oficial*, click [here](#).

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MXN 1 = USD 0.0525
MXN 1 = CAD 0.071
MXN 1 = GBP 0.406
MXN 1 = EUR 0.047

Contact us

For additional information or assistance, please contact your local GMS or People Services professional or one of the following professionals with the KPMG International member firm in Mexico:

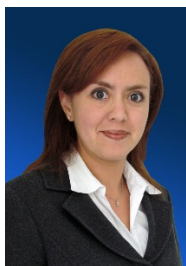


Nora Solano

Partner

Tel. +52 55 5246 8355

solano.nora@kpmg.com.mx



Azucena Cortes

Director

Tel. +52 55 5246 8522

azucenacortes@kpmg.com.mx



Ana Rojas

Director

Tel. +52 55 5246 8419

anarojas@kpmg.com.mx

The information contained in this newsletter was submitted by the KPMG International member firm in Mexico.

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