



Global Trade Advisory Alert: Mexican authorities intend to increase VAT Certification audits

- Mexico's tax authorities have recently announced that they intend to increase Value Added Tax ("VAT") Certification audits, targeting 100 percent of the companies that are currently operating under this program.

The Mexican Tax Administration Service (Servicio de Administración Tributaria or "SAT") intends to increase its audits on companies operating under the VAT Certification program.

It is common for US and multinational companies that have manufacturing operations in Mexico to have subsidiaries that operate under the IMMEX temporary import program. These Mexican companies also operate under the VAT Certification program, which allows them to obtain a full tax credit on the VAT that should have been paid at the time the temporary importation of materials and components used for production takes place. Both the VAT Certification and IMMEX programs are very complex and have strict inventory control requirements and validations with which companies need to comply on a monthly basis to maintain their authorizations to operate under these programs.

As reported in the SAT's "Tax Collection Master Plan Report for Q2 2024," during the first quarter of 2024, the SAT increased the number of audits of companies operating under the VAT Certification by 240 percent. The SAT noted its intention to audit 100 percent of the companies that are operating under the VAT Certification program.

Non-compliance with the strict requirements and obligations of the VAT Certification program, especially when identified through an audit, may result in significant tax liabilities, as well as the potential suspension from the VAT Certification program altogether. In this case, the importer would have to pay VAT at the time of importation of goods and file for a refund, where applicable, which can take several months and is subject to delays.

Deloitte's Global Trade Advisory specialists are part of a global network of professionals who can provide specialized assistance to companies in global trade matters. Our professionals can help companies seeking to manage the impacts of the increase in audits conducted by the SAT on companies operating under the VAT Certification program by:

- Reviewing the company’s:
 - level of compliance with its VAT Certification program obligations and requirements, leveraging automated tools developed by Deloitte (DTrade Compliance), and recommending corrective actions, if applicable, before the start of an audit;
 - current model, related compliance with IMMEX and VAT Certification program obligations, and establishing a roadmap to define and implement updates to process flows, work instructions, training materials, etc.
 - IMMEX Inventory Control System and VAT Certification program credit reporting to identify discrepancies that could be raised during an audit, and considering risk mitigation alternatives.
- Providing support in managing responses to VAT Certification audits conducted by the SAT.

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