The Tax Reform and Other Good News

My Mission
- What is the Tax Reform?
- The Macallan's Programme
- Did the Tax Reform Harm the Manufacturing Industry?
- The "Other" Good News
- What do you need to do?

"Cataclysmic" Tax Events and Their Impact on the Industry
1. Asset Tax 1988
2. Grito Tax 1994
3. Transfer Pricing 1995
4. NAFTA's Article 303 2001
5. Business Flat Tax 2008

The Tax Reform and You
- What are the impacts?
- The New Tax Law
- The Impact on Your Business
- The Impact on Your Employees
- The Impact on Your Clients

Impact Analysis of Adapting to Changes (IAAC)

The "Other" Good News

Can Mexico build ears like Germany, Japan or the USA?
The Tax Reform and Other Good News

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The Tax Reform and You
- VAT for imports
- Royalties in Mining
- Disaggregated Accounting
- Tax on financial income
- Foreign Tax Credit
- Limited Liability of Non-Corporation Employees

Impact Subsidization
Industriales

Action Items

Culture of Stewardship

Can Mexico build ears like Germany, Japan or the USA?
Can Mexico build cars like Germany, Japan or the U.S.A?
Culture of Stewardship
My Mission

a. What is the Tax Reform?
b. The Maquiladora Program
c. Did the Tax Reform Harm the Manufacturing Industry?
d. The "Other Good News"
e. What do you need to do?
Why?

The Mexican government has had a limited capacity to:

- Meet the priority needs of the population.
- Reduce inequality in income distribution.
- Invest in strategic areas to trigger higher economic growth.
- Create a social security network that effectively guarantees a minimum standard of well-being for all Mexicans.
Yes, but why?

- Inequitable tax system that obtained a low level of public revenue.

- Tax collection levels are equivalent to approximately 10% of Gross Domestic Product (GDP), whereas Latin American countries collect 16% of GDP.

- Public expenditure as a percentage of GDP is only 19 percent, compared with an average of 27% in the rest of Latin America.
Yes, yes, but WHY?! Dependency on Oil Revenues
Promedio Mensual Precio del Petróleo Mezcla Mexicana.
Strategic Objectives

1. Increase tax collection and ensure that it is fair. The reform seeks to reduce the high levels of inequality among Mexicans by eliminating privileges and ensuring that those with higher incomes pay more taxes and protecting those with least.

2. Increase public spending responsibly and fairly. The funds obtained will address the priority needs of the population in areas such as education, health, social security and infrastructure.
3 Include control mechanisms to ensure transparency and make public spending more efficient, and promote accountability.

4 Boost the economy by encouraging investment and employment. A policy of promoting economic growth is being promoted to complement the Reform, through the use of countercyclical spending.

5 Create tax with social responsibility to protect the health of the population and the environment.
Import Substitution Industrialization (ISI)
The Bracero Program
The Original Maquiladora: Cost Plus and Nothing Else
"Cataclysmic" Tax Events and Their Impact on the Industry

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Asset Tax 1998
Status of the Industry from 1986 to 2012 Number of Employees

SOURCE: INEGI
Status of the Industry from 1986 to 2012 Value of Export Output

SOURCE: INEGI
Gringo Tax 1994
Transfer Pricing
1995
The Tax Reform and You

1. VAT on Imports
2. No Sales in Mexico
3. Electronic Accounting
4. Pre-approved APA's
5. Income Tax on Dividends
6. Limited Deduction of Non-Taxable Employee Income
The "Other" Good News
Labor
Economic Competition
Education
Appeal Law
Political-Electoral
Action Items

1. Obtain your IVA certification
2. Restructure your sales in Mexico
3. Comply with the new electronic accounting and electronic Inventory control system filings
4. Obtain your APA
5. Identify the risks and opportunities created by the new laws
6. Continue being a responsible corporate citizen
7. Keep a long-term perspective
Can Mexico build cars like Germany, Japan or the USA?
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