

Tax Insights Newsletter / December 16th, 2024

In Summary

Annual Informative Return on Related Parties

In Detail

The Tax Administration Service (SAT), through the document titled “Fourth 2024 Meeting with the National Coordinations of Taxpayer Ombudsmen” dated December 5, 2024, outlined its criteria for complying with the submission of the Annual Informative Return on Related Parties.

I. Obligation to Submit the Annual Informative Return of Related Parties

Article 76-A of the Income Tax Law (LISR) stipulates that, among others, taxpayers who are related parties of taxpayers required to have their financial statements audited for tax purposes by a registered public accountant (CPI) ⁽¹⁾ must provide the tax authorities with the following annual informative returns on related parties:

1. Master File of related parties for the multinational business group.
2. Local File of related parties.
3. Country-by-Country informative return for the multinational business group.

Specifically, with regard to the Local File of related parties, it must be submitted no later than May 15 of the year immediately following the fiscal year in question, regardless of the amount and/or type of transactions conducted with their related parties subject to mandatory audits for tax purposes.

Additionally, taxpayers who are related parties of taxpayers required to audit their financial statements for tax purposes by a CPI must submit to the tax authorities, as part of their annual return, the Tax Status Report (ISSIF) using the means and formats established through general regulations by the Tax Administration Service (SAT).

In line with the above, Rule 2.16.5 of the Miscellaneous Tax Resolution (RMF) in effect for 2024 states that taxpayers required to submit the ISSIF due to their status as related parties of entities obligated to audit their financial statements for tax purposes will only be required to file it if, during the fiscal year in question, they carried out transactions exceeding the following thresholds:

- \$13,000,000.00 MXN (thirteen million pesos) for business activities.
- \$3,000,000.00 MXN (three million pesos) for the provision of professional services.

1) Legal entities taxed under Title II of the Income Tax Law (LISR) that, in their most recent fiscal year as reported in their standard tax returns, declared taxable income for income tax purposes equal to or exceeding an amount equivalent to \$1,855,919,380 MXN, as well as those that, as of the end of the most recent fiscal year, have shares publicly traded on the stock exchange.

II. Sanción por no presentar la Declaración Anual Informativa de Partes Relacionadas

In accordance with Articles 81, Section XL, and 82, Section XXXVII of the Federal Tax Code (CFF), failure to provide the Local File related-party informative return, or submission of an incomplete return, one containing errors or inconsistencies, or presented in a manner that deviates from the requirements of the tax regulations, will result in a penalty ranging from \$199,630 to \$284,220 MXN.

III. Request and Conclusions

Based on the points outlined above, the National Taxpayer Ombudsman Coordinations requested that SAT officials clarify or, where appropriate, incorporate a general rule similar to Rule 2.16.5. of the Miscellaneous Tax Resolution (RMF) for 2024. This rule would specify that corporate taxpayers obligated to file the ISSIF (Tax Situation Return) due to being related parties of entities required to have their financial statements audited for tax purposes, should only be required to submit the Annual Related-Party Informative Return if, during the fiscal year in question, they carried out transactions with such related parties exceeding \$13,000,000.00 MXN for business activities or \$3,000,000.00 MXN for professional services.

In response to this request, SAT outlined its position through a document titled “*Fourth 2024 Meeting with the National Taxpayer Ombudsman Coordinations*”, dated December 5, 2024. According to SAT, taxpayers falling under the scope of Article 76-A, first paragraph of the Income Tax Law (LISR), and simultaneously meeting the criteria set forth in Section VI of Article 32-H of the CFF, are required to comply with the obligations stipulated in these provisions. This includes filing the annual related-party informative returns referenced in the LISR provision.

Consequently, while a taxpayer may not be obligated to file the ISSIF as a related party of entities required to have their financial statements audited for tax purposes by a CPA, due to transactions with such related parties not exceeding \$13,000,000.00 MXN for business activities or \$3,000,000.00 MXN for professional services, this does not exempt them from filing the Local File Related-Party Informative Return. The return must be submitted no later than May 15 of the year immediately following the fiscal year in question.

Attached as Annex I is the document titled “*Fourth 2024 Meeting with the National Taxpayer Ombudsman Coordinations*”, dated December 5, 2024.

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