

## Tax Insights Newsletter / December 26th, 2023

### Specifically

### Changes to the application for completing the 2023 annual tax return for legal entities.

### In detail

The Tax Administration Service (SAT), following the usual trend of recent years, has commenced the update of the software for filing the annual tax return for legal entities corresponding to the 2023 fiscal year. In this regard, the SAT has introduced the simulator for this software on its website.

### Key Highlights

#### Financial Statements Section

- Similar to the previous year, the field designated for Financial Statements will not be enabled for input for taxpayers obligated to file the Financial Statements Report, or those who chose this option, as well as for those obligated to present the Information About their Fiscal Situation (ISSIF).
- For the fiscal year 2023, the data entry process has been streamlined. Specifically, filling in the fields related to the Balance Sheet, Income Statement, and Reconciliation will be required. Unlike the previous fiscal year, the Cash Flow Statement and Statement of Changes in Shareholders' Equity will no longer be mandatory.
- The field 'No data' has been added to facilitate the completion of the declaration for accounting items that had no activity during the 2023 fiscal year. This new field allows indicating promptly and precisely that a certain accounting item lacks information or transactions during the fiscal year.
- It's important to note that for the annual tax return for 2023 fiscal year, information in the Financial Statements will be required in a comparative format, covering data for both the 2023 and 2022 fiscal years. Currently, the fields designated for the 2022 fiscal year do not allow data input and remain locked. In this regard, adjustments in the application are expected from the Tax Authority, allowing for the automatic retrieval of information previously entered during the 2022 annual declaration or enabling data input.
- The possibility to add notes to each item composing the Financial Statements remains available. This functionality allows taxpayers to attach additional information, detailed explanations, or relevant clarifications related to each accounting element.

### Deductions Allowed Section

- Within the 'Expenses' section of this segment, specifically under the concept of 'Fees paid to individuals/RESICO', it is permissible to add the base amount of fees paid to individuals or RESICO that generated withholding and were declared in each of the periods of the fiscal year.

### Determination Section

- Within the 'Tax Losses from Previous Years' section of this segment, tax losses appear automatically provided they have been declared in previous fiscal years following the parameters established by the Authority. For updating the losses of the 2022 fiscal year, the update mechanism does not align with the one established in tax provisions, thus an application update is expected.

### Corporate Income Tax (ISR) Section

- Within this section, particularly in the 'Additional Data' section, a question has been added to the questionnaire regarding whether the taxpayer is exclusively engaged in generating energy from renewable sources or efficient electricity cogeneration systems.
- If the answer is affirmative, 8 additional questions related to the following are activated:
  - a) Year-end figures. Balance of the Net Taxable Income Account for investment in renewable energies.
  - b) Dividends or distributed profits. Derived from the Net Taxable Income Account for investment in renewable energies or efficient electricity cogeneration systems.
  - c) Deduction percentage applied in the case of investment in renewable energies. This should be selected from the options of 100% and 5%.
  - d) Initial Balance in the fiscal year (Net Taxable Income Account for investments in renewable energies).
  - e) Withdrawals in the fiscal year (Net Taxable Income Account for investments in renewable energies).
  - f) Withdrawals made in previous fiscal years (Net Taxable Income Account for investments in renewable energies).
  - g) Total amount of withdrawals made in the fiscal year in question (Net Taxable Income Account for investments in renewable energies).
  - h) Amount of income corresponding to the generation of energy from renewable sources or efficient electricity cogeneration systems.

## Other Considerations

- Corporate entities must file their annual tax return corresponding to the fiscal year 2023, determining the tax result no later than March 31, 2024.
- One of the most significant changes in this new application is the addition of information regarding the Net Taxable Income Account for investment in renewable energies.
- Currently, it is observed that taxpayers will not be required to submit cash flow statements and changes in shareholders' equity. Similarly, in the balance sheet, income statement, and reconciliation, the input fields for the 2022 fiscal year are not enabled.
- It is crucial to note that the simulator for the 2023 fiscal year's annual declaration might undergo additional modifications. Hence, it is recommended to stay informed about possible updates that may arise. Any potential adjustments will be subject to thorough analysis by our team, and any subsequent changes will be duly communicated for your awareness.
- Likewise, it is advisable to conduct an analysis of the information generated by each company to prepare the data properly as required by the tax authority in this new application.
- Finally, it's important to note that failure to submit the 2023 annual tax return for corporate entities in a timely manner may subject taxpayers to penalties imposed by the tax authorities ranging from \$1,810 to \$36,740.
- Refer here:

<https://www.sat.gob.mx/declaracion/21496/simulador-anual-personas-morales.-regimen-general-2019>

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