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U.S. Internal Revenue Service (irs) Investigating Possible Tax Evasion By Some Maquiladora Plants

by Carlos Navarro
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According to El Financiero International weekly business newspaper, the US Internal Revenue Service (IRS) is looking into possible tax evasion schemes used by the parent US companies of some maquiladora plants along the US-Mexico border. The investigation is centering on possible violations of Section 482 of the IRS code, which prohibits transfer pricing. Under this scheme, US companies with subsidiaries in other countries reduce their tax liability by arranging for the subsidiary in the country with the lowest taxes to show the greatest profits. IRS spokesperson Don Roberts told El Financiero International that lower taxes in Mexico would tend to encourage transfer pricing. However, he noted that the investigation of the maquiladora accounting practices represents only a part of a larger examination of the tax practices of US conglomerates with foreign operations. But Carlos Antonio de Orduna, president of the National Council of Maquiladoras, said he doubted that the practice is widespread because the Treasury Secretariat (Secretaria de Hacienda y Credito Publico, SHCP) and the IRS have a cooperative agreement for tracking down tax violators in both countries. (Source: El Financiero International, 05/24/93)

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