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## **Mexico: 2% Fixed Assets Tax Imposed As Method To Reduce Tax Evasion**

*by John Neagle*

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On March 30, the Mexican government officially launched new tax regulations aimed at extracting revenue from tens of thousands of companies believed to practice tax evasion every year. The regulations, centering on a 2% tax on fixed assets for any company that declares no profits, were announced in general terms in January. Details were published in the March 30 official government gazette and the tax authorities began implementing the regulations April 7. The regulations do not specifically refer to Mexico's "maquiladora" border plants. A spokesperson for the Finance Ministry said on the evening of March 30 that the maquiladoras were unlikely to be affected. "The regulations apply only to those who declare zero profits. I don't think this could affect a maquiladora unless it had a particularly bad year," he told reporters. A Finance Ministry statement issued March 30 said the new regulations were aimed at ending "incorrect practices by some companies." The statement indicated that the regulations were aimed at getting more companies to pay taxes. Most business leaders have criticized the 2% tax since it was first announced. On March 29, the president of the Mexican Supreme Court, Carlos del Rio Rodriguez, said that judges in Mexico City alone had received 8,000 appeals for exemption against the regulations since they were announced in January. Del Rio predicted that around 1,000 of the appeals, questioning the constitutionality of the new tax, may reach the Supreme Court. Earlier this year, the Mexican government reported that 70% of all national companies submitted tax returns in which their income is equal to outlays, resulting in zero profits. Consequently, they pay no tax. Rather than adding to auditing problems, the government opted for imposing the assets tax to discourage the declaration of zero profits. The Finance Ministry spokesperson said, "Companies will have to begin making declarations next month, based on their first three months' business. If they declare zero profits, they will liable to the new tax. But if, by the end of the year, they show profits, the new tax will not be levied or will be refunded to them." (Basic data from Copley News Service, 03/31/89)

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