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The illegal importation of motor vehicles from the US is once again becoming a headache for Mexican authorities, which are seeking to protect the domestic auto industry. Over the past several years, the illegal imports of these vehicles, known as autos chocolate (chocolate cars), had declined markedly because of regulations that the government put in place in 2011 (SourceMex, July 6, 2011). In 2014, the government imposed new controls via the tax administration system Servicio de Administración Tributaria (SAT), charging a tariff of 10% over the invoice price, plus a value-added tax (Impuesto al Valor Agregado, IVA). This raised the ultimate price of importing the vehicle to Mexico, which reduced the influx of autos chocolate.

Because of the fiscal controls, the importation of used vehicles from the US dropped to a historic low of just under 180,000 units in 2015. According to the Asociación Mexicana de la Industria Automotriz (Mexican Association of the Automotive Industry, AMIA), the total last year was 61% below imports in 2014, and the lowest level since the government authorized Mexicans to register vehicles acquired in the US and Canada (SourceMex, Aug. 31, 2005).

“We want to recognize the efforts of the Mexican government to restrict the importation of subpar vehicles from the US,” AMIA president Eduardo Solís said in February. He pledged that the AMIA would continue working with the government to limit the number of US imports.

The importation of used vehicles had benefitted reselling businesses along the US-Mexico border. However, the SAT regulations created financial problems for these resellers in the cities of Ciudad Juárez in Chihahua state, Reynosa and Matamoros in Tamaulipas state, and Piedras Negras in Coahuila state.

“The added tax associated with the import generally surpasses the real cost of the automobile,” said Fernando Humberto Parra, president of the used car group (Grupo Especializado de Autos Usados) of the national chamber of commerce (Cámara Nacional de Comercio, CANACO) in Tijuana.

Some representatives of the border businesses that rely on imports of used automobiles gathered in Monterrey in June to develop a strategy and to eventually seek an audience with members of the federal Congress. “Our intention is to forge a common front and a unified position to bring before the Chamber of Deputies and the Senate,” said Gilberto Leyva Camacho, president of the CANACO chapter in Tijuana.

Importers finding news schemes

However, the importers—both individuals and wholesalers—have found several loopholes that allow them to introduce vehicles from the US.

Some importers are buying invoices valued at below the reference price, which has tended to keep their costs down. “By doing so, they reduced the applicable tariffs and the value of the vehicle,” said Guillermo Rosales, an official with the Asociación Mexicana de Distribuidores de Automótores.
(Mexican Association of Motor Distributors, AMDA). The use of false invoices allowed importers to evade more than 490 million pesos (US$26.2 million) in taxes in 2015 and 2016, according to statistics compiled by three industry groups: AMDA, the Industria Nacional de Autopartes (National Auto Parts Industry), and the Asociación Nacional de Productores de Autobuses, Camiones y Tractocamiones (National Association of Manufacturers of Buses, Trucks and Tractor Trucks, ANPACT).

Other schemes have evolved to import the autos chocolate into Mexico. According to the Confederación de Cámaras Nacionales de Comercio, Servicios y Turismo (CONCANACOSERVYTUR), some individuals and companies have hired US citizens to bring vehicles across the border several times a day, leaving them at set locations after removing their license plates. According to Jorge Cervantes Arenas, who chairs the border affairs commission at CONCANACOSERVYTUR, the scheme has involved “several thousand vehicles.”

Cervantes Arenas said license plates for these illegally imported vehicles can be obtained for the mere cost of US$150 in Mexican border states. These units enter through the customs gates in Mexico without any problem, and officials acknowledge that they lack the resources and infrastructure to combat this practice, he added.

According to Rosales, of AMDA, there is also a great deal of corruption among the agencies responsible for verification of vehicles. “They issue a certificate 20 days after the date when the vehicle was imported or they put Texas as the point of origin, when a vehicle was imported via California,” he said. “This shows that they are not even conducting the required verification tests.”

According to the daily business newspaper El Economista, the increase in illegal imports is an indirect result of Mexico’s sluggish economy. “Many consumers are not buying a new vehicle because of unfavorable economic conditions,” said the newspaper, quoting economic experts. “GDP has not grown significantly in recent years, and the purchasing power has had a downward tendency since 1987.”

The report said vehicles imported from the US offer a more favorable cost-benefit than new or even used vehicles purchased from dealerships in Mexico.

Even though the competition from the US imports is beginning to cause some concerns within the auto industry, sales have not necessarily suffered much. According to AMDA president Guillermo Prieto, domestic sales are projected to reach 1.5 million units in 2016, an increase of almost 15% from 2015.

Prieto said total sales could surpass 2 million by 2020 if the economy continues to grow by 3% or above each year between 2017 and 2020.

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