

base erosion and profit shifting

practices or structures

used in your country or region,

2. If you are affected by base erosion and profit shifting, what are the most common practices or structures used in your country or region, and the responses to them?

***The most common practices and structures detected in Mexico, are:***

- a) Sales of companies in Mexico; when alienating holding companies located in jurisdictions with little or no access to exchange of information and where those sales are not taxed or taxed at low rates.***
- b) Migration of intangibles developed in Mexico to jurisdictions with low or no taxation.***
- c) Structures that do not recognize the existence of permanent establishments in Mexico because it is considered that the activities and risks are located abroad.***
- d) Huge debts with no business reason.***

***The response to these structures has been through audits and modifications in domestic legislation.***

3. When you consider an MNE's activity in your country, how do you judge whether the MNE has reported an appropriate amount of profit in your jurisdiction?

**The Mexican Tax Authority judges whether the MNE has reported an appropriate amount of profit in Mexico by means of a transfer pricing risk assessment**

The main obstacles that Mexico has encountered in assessing whether the appropriate amount of profit is reported in our jurisdiction and in ensuring that tax is paid on such profit are: (1) lack of information about the global business of the MNE group, including information about foreign related parties where the company operates, (2) lack of public information on local comparable companies, (3) the volume and complexity of international intra-group trade, and (4) other opportunity areas in deploying an efficient transfer pricing risk assessment program to identify and assess that the appropriate amount of profit is reported and paid, and the consequent selection of cases for audit when needed.

5. Do you agree that these are particularly important priorities for developing countries?

**Yes, we agree that those are very important priorities for developing countries as they relate to taxation at source and the implementation of actions on those issues could really help avoid BEPS.**

6. Which of these OECD's Action Points do you see as being the most important for your country, and do you see that priority changing over time?

**Each of those points is important to our country as we try to avoid base erosion at source. Out of those Actions, our priorities are Action 6 and the Actions related to Transfer Pricing (Actions 8, 9 and 13). However, as we implement measures related to those Actions, an effective implementation of Action 12 could become a next priority.**

7. Are there any other Action Points currently in the Action Plan but not listed above that you would include as being most important for developing countries?

**Of the Actions Points not listed, for Mexico Action 2 (Neutralise the effects of hybrid mismatch arrangements) and Action 7 (Prevent the artificial avoidance of PE status) are of particular importance.**

8. Having considered the issues outlined in the Action Plan and the proposed approaches to addressing them (including domestic legislation, bilateral treaties and a possible multilateral treaty) do you believe there are other approaches to addressing that practices that might be more effective at the policy or practical levels instead of, or alongside such actions, for your country?

**effective for approaching the issues outlined in the BEPS Action Plan.**

9. Having considered the issues outlined in the Action Plan, are there other base erosion and profit shifting issues in the broad sense that you consider may deserve consideration by international organisations such as the UN and the OECD?

**No, as a member of G20 and OECD, Mexico participated in the development of the relevant BEPS issues that could deserve consideration by international organisations.**

10. Do you want to be kept informed by email on the Subcommittee's work on base erosion and profit shifting issues for developing countries and related work of the UN Committee of Experts on International Cooperation in Tax Matters?

**Yes, at the following emails:**

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