



March 16, 2026

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**Re: Mexico's Tax Administration Service (SAT)**

The National Foreign Trade Council (the “NFTC”) is writing concerning the worsening tax and investment environment for U.S. businesses in Mexico. During the NFTC’s engagement in the ongoing review of the US-Mexico-Canada trade agreement (USMCA), we [highlighted](#) several troubling and onerous Mexican taxation proposals in its 2026 Economic Package (“Paquete económico”), which passed into law on November 7, 2025, and complicates the very job-creating incentives that USMCA is intended to foster. The effect of these measures is compounded by irregular enforcement practices undertaken by the Servicio de Administración Tributaria (the “SAT”), creating a tax administration regime that places growing and unprecedented burdens on many U.S. multinational companies, thereby disincentivizing the investment and job creation that Mexico has sought to attract.

The NFTC, organized in 1914, is an association of U.S. business enterprises engaged in all aspects of international trade and investment. Our membership covers the full spectrum of industrial, commercial, financial, and service activities. We value work that focuses on establishing and maintaining international tax norms that provide certainty to enterprises conducting cross-border operations and are attractive to businesses making choices regarding new investments.

For several years, numerous U.S. multinationals operating and investing in Mexico have faced persistent audit challenges with the SAT, and these issues have escalated over the past year. While the SAT’s public messaging in its “Plan Maestro 2026” highlights an intent to target high-risk, non-compliant taxpayers and streamline compliance, in practice we are continuing to see a broad scope of aggressive and dubious tax audits, including: the retroactive and arbitrary

denial of legitimate VAT credits and tax deductions; the wholesale disallowance of income tax deductions for *bona fide* business expenses, including with respect to related-party payments; an extractive and opaque “pay-to-play” dispute resolution mechanism that requires deposits to access appeals; and unwarranted company-by-company solicitation of highly sensitive business-confidential information. Furthermore, many multinational companies feel they have fewer options for judicial redress in response to SAT’s overreach, given the recent legislative changes that limit the autonomy of Mexico’s judicial system.

### **Retroactive VAT Reinterpretation and Credit Denials**

The NFTC has received reports from certain U.S. companies that the SAT has been arbitrarily reinterpreting its value-added tax, doing so to retroactively deny longstanding tax credits for VAT paid to third-party suppliers (an accepted practice since 2015). This is creating double-taxation issues that undermine fundamental international tax principles and contravenes the flexibility under the Industria Manufacturera, Maquiladora y de Servicios de Exportación (IMMEX)-based “duty drawback”, which allows companies to defer or reduce VAT on imported inputs used in export production, and has historically underpinned Mexico’s competitiveness.<sup>1</sup> U.S. companies are being hit with demands for repayment of tax credits of up to 1 billion USD in some cases, accompanied by fines for previously-unannounced violations, on taxes paid over the last decade. This reinterpretation has also extended to other routinely claimed tax deductions, further broadening the scope of retroactive liabilities. When combined with the deposit requirement, firms must post a guarantee to dispute the demand (see below), effectively forcing them to pay tax twice, once in the form of the deposit, once in the form of the original payment. The newfound assertion that companies must pay both import VAT (under the IMMEX program) and input VAT on the same transaction creates an unacceptable and significant cost burden on foreign companies that made their decision to invest and properly complied under the original system. In tandem, VAT refund processes have become increasingly extensive due to the requirements issued by the SAT to validate the origin of balances in favor. In many cases, the information requested is unrelated to the determination of the credit and includes demands for confidential information related to production processes or internal policies, which appears inconsistent with Article 22-D of the Código Fiscal de la Federación (CFF) (see further discussion below regarding the solicitation of confidential information). VAT refunds have also been delayed to firms that receive unexpected and large income tax assessments, essentially tying payouts to separate charges.

### **Arbitrary Denial of Income Tax Deduction for Related-Party Payments**

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<sup>1</sup> Center for Strategic and International Studies (CSIS), “*Nearshoring Without Growth: Why Investment Uncertainty Is Holding Mexico Back*”, November 2025, <https://www.csis.org/analysis/nearshoring-without-growth-why-investment-uncertainty-holding-mexico-back>

In recent examinations, the SAT has increasingly denied deductions for related-party expenditures across a range of routine transactions, including service fees, royalty payments, and other intercompany charges. These deductions reflect ordinary and necessary business expenses incurred to ensure that multinational group members receive an arm's-length return for providing services, developing, and maintaining intellectual property, or making valuable intangible assets available for use in Mexico. While it is expected that tax authorities may review and challenge transfer-pricing positions, a complete disallowance of such expenditures, rather than an arm's-length adjustment, creates significant uncertainty for multinational enterprises operating in Mexico. Many companies report that the SAT imposes overly burdensome documentation requirements that are very difficult for taxpayers to meet, then claim deficiencies in documentation and disallow deductions. Moreover, applying domestic disallowance rules in this manner undermines taxpayers' ability to rely on treaty protections intended to prevent double taxation. This gives the appearance that Mexico is deliberately raising unprincipled adjustments in such a way as to prevent taxpayers from accessing Mutual Agreement Procedure processes under applicable tax treaties, imposing economic burdens that cannot be relieved in the corresponding jurisdiction. In practice, taxpayers are advised that engaging in certain domestic dispute resolution pathways, including resolution through PRODECON, may affect their eligibility to pursue treaty-based MAP relief.

### **Pay-to-Play Dispute Resolution**

Amendments to the Código Fiscal de la Federación (CFF) eliminated the exemption from guaranteeing tax interest when filing an administrative appeal. This means that U.S. and multinational companies must now post a cash deposit or 'surety bond' equivalent to the full amount of the disputed tax assessment, plus surcharges and fines, with a Mexican state bank to pursue an appeal. This "pay-to-play" change to the dispute resolution process makes it significantly more costly, even financially prohibitive, for companies to challenge unreasonable tax assessments by the SAT. Requiring a deposit of up to 100% of the disputed tax assessment before an appeal imposes immediate financial risks or costs, irrespective of the claim's merits, and compels companies to consider an unjust settlement rather than endure a lengthy legal process, which ties up capital. The measure thus has the effect of weakening access to fair adjudication and compromising companies' right to due process.

From a technical perspective, there is additional uncertainty regarding whether deposits or bonds held with a Mexican financial institution can be directly credited against any final tax liability; if they cannot, companies may be forced to remit additional tax while awaiting recovery of the posted funds. Amendments to Articles 141 and 144 of the CFF have also introduced a strict order of priority for acceptable guarantee instruments. Article 141 now ranks a deposit certificate with Mexico's state-owned bank first, followed by letters of credit and secured interests, with surety bonds ranked fourth. To use a lower-ranked instrument, such as a surety bond, taxpayers must justify the impossibility of utilizing each higher-ranked option. While surety bonds remain

legally permissible, this mandatory hierarchy and justification requirement substantially reduces their practical availability, increasing reliance on cash deposits and placing additional liquidity and operational constraints on companies seeking to pursue administrative appeals. In particular, this change discriminates against U.S. insurers providing surety bonds in Mexico, who play a key role in the Mexican market, tilting the playing field toward Mexico's state-owned bank, Banco del Bienestar, SNC. The change from a choice system to one that requires the taxpayer to justify why it is unable to use each successive option, the primary one being a state-owned bank, effectively discourages companies from exercising their right to appeal.

### **Customs Audits, Certificates of Origin and Solicitation of Intellectual Property**

We have received reports from U.S. companies that are experiencing an increasingly aggressive approach by the SAT in customs audits related to certificates of origin for products imported into Mexico. What were historically routine compliance reviews have shifted sharply in focus and intensity, evolving into what appears to be revenue-raising exercises; despite the absence of substantive disputes regarding origin or any change in applicable law or treaty obligations. Certain U.S. firms report a marked uptick in information or receipt requests accompanied by unreasonably short response deadlines. These include requests for evidence of payment prior to importation into Mexico, a requirement that is inconsistent with standard international commerce practice. Of particular concern are reports of the SAT seeking access to business confidential and proprietary information as part of certificate-of-origin audits; the requests appear disproportionate and reach highly sensitive proprietary information beyond what should reasonably be needed. To be clear, some reports are from consumer products companies with no known security or health risk vectors, making the impetus for increased verifications suspect. These demands effectively force impacted U.S. companies to choose between exposing core intellectual property and other confidential or proprietary information or facing punitive assessments. We have similarly observed rejections based on highly formalistic deficiencies in Norma Oficial Mexicana (NOM) applications, even where substantive compliance is not in dispute. The SAT continues to apply these rigid and inconsistent audit techniques, reject documentation that had previously been accepted, and impose a “pay-now-or-litigate” ultimatum that leaves companies with no practical avenue for relief. These concerns are compounded by recent changes in the judiciary, which have diminished confidence among affected companies that solutions to address these and other tax and customs matters are achievable through courts.

### **Targeting of U.S. Multinational Companies (MNCs)**

The continued targeting of certain U.S. MNCs suggests that some of the SAT's tax assessments go beyond a principled application of Mexican accounting rules. Its aggressive approach is particularly evident in the manufacturing sector: in its “Plan Maestro 2024”, the SAT announced its intent to audit 100% of companies in the VAT Certification program, a program essential for the IMMEX operations that incentivize investment in Mexico. The SAT's own [data](#) reveal a

367% increase in revenue collected from transfer pricing audits of large multinationals in the 2019-2024 period, suggesting audits are in fact used as a revenue-extraction tool rather than for routine compliance. This trend continues under the “Plan Maestro 2026”, which sets an unprecedented 5.8 trillion-peso revenue target without raising taxes. The targeting of certain U.S. companies in such a direct manner raises the costs of doing business and undermines the stability pledged under the USMCA, which is now up for renewal.

### **Article 30-B / Platform "Kill Switch" and Real-Time Access**

Article 30-B of Mexico's Federal Tax Code, effective April 1, 2026, requires foreign online platforms and e-commerce companies to grant the SAT permanent, real-time access to records related to their Mexican operations, including user activity, platform usage, and transactions. We appreciate the SAT's recent guidance on implementation in the 2026 “Resolución Miscelánea Fiscal” ([RMF](#)), including administrative rule 2.9.21 regulating the scope and procedures for foreign digital services providers and digital intermediation platforms, which clarifies the required information may be stored on a separate database and accessed by SAT for individual and bulk processing. However, this requirement continues to create significant procedural, data security, competitiveness, and trade secret concerns, not to mention a host of data privacy concerns impacting platform users who will have their most sensitive transaction-level data shared on a permanent, real-time basis with the SAT, potentially violating requirements to protect customer data in various jurisdictions. All information necessary to calculate the VAT liability is already provided in the taxpayer's monthly VAT return, which itself can be accessed by the SAT, yet non-compliance can trigger the "kill switch" provision, allowing the government to temporarily block platforms from operating in Mexico, an extreme policy response to ensure compliance. Although the SAT has indicated the measure targets non-compliant firms in the RMF, the provision's broad language could apply to all platforms, including those that are Mexican tax resident entities and therefore already subject to local e-accounting rules and CFDI obligations, creating additional compliance burdens for companies acting in good faith. A meaningful delay in implementation of the real-time data reporting requirements—which take full effect on April 30—would be a welcome development.

### **Limitations of PRODECON as an Independent Dispute Resolution Mechanism**

The Procuraduría de la Defensa del Contribuyente (PRODECON) has historically played a valuable role in facilitating dialogue between taxpayers and the SAT and in resolving disputes efficiently through alternative mechanisms. However, recent experience indicates that PRODECON is less able to function as an independent or effective adjudicative body in complex or high-value disputes involving multinational enterprises. PRODECON's recommendations are increasingly disregarded by the SAT and institutional constraints now prevent PRODECON from meaningfully challenging SAT determinations. Indeed, during the conclusive agreement procedure, SAT often asks taxpayers for information that they have already submitted or

clarified, wasting time in an already time-constrained process. As a result, taxpayers are frequently forced into formal, public litigation despite clear factual or legal issues that could otherwise be resolved administratively. The erosion of PRODECON's effectiveness has removed a critical safeguard within Mexico's tax administration system, which results in prolonged dispute resolution processes, absorbing limited government resources, and exacerbating financial and procedural burdens imposed on compliant taxpayers.

### **Advanced Pricing Agreements**

Advanced Pricing Agreements (APAs) have historically played a critical role in providing transfer pricing certainty for maquiladoras operating in Mexico, supporting compliance, investment planning, and stable integration into North American supply chains. Although the APA framework formally remains in place, in practice maquiladoras have been unable to obtain timely APA renewals or new agreements. As a result, many have been effectively forced into the statutory safe harbor methodology, which applies a fixed percentage of total assets or costs. For capital-intensive, low-risk manufacturers, this formula can produce mark-ups that exceed arm's-length outcomes and distort taxable income. When APAs function effectively, they reduce disputes, limit audit exposure, and allow both taxpayers and tax authorities to allocate resources more efficiently. However, the prolonged backlog in concluding maquiladora APAs, many of which have remained unresolved since 2018, has left companies operating for extended periods without the certainty these agreements are designed to provide.

### **Conclusion**

As the USMCA review progresses, one of the core objectives in extending the agreement must be to restore predictability to North American trade not only by addressing existing barriers, but also by reinforcing confidence in the frameworks that underpin cross-border trade and incentivize investment. As a first step, NFTC welcomes the Executive's decision to neutralize the proposed excise tax on video games included in the 2026 Economic Package, recognizing that the removal of this measure helped improve the investment environment for digital services. Building on this, it is critical that similar restraint, responsiveness, and accountability be applied across the SAT's tax administration and enforcement practices, including as overseen by the Executive and, over the longer term, a fully independent judiciary.

At a moment when U.S.-Mexico economic cooperation and enforcement under the rule of law are under heightened scrutiny, these tax administration measures have emerged as a top priority that requires urgent resolution. NFTC and its member companies remain committed to constructive engagement to address these areas of concern.

We are happy to answer any questions or clarify any of the comments raised; please contact Tiffany Smith ([tsmith@nftc.org](mailto:tsmith@nftc.org)), Brad Wood ([bwood@nftc.org](mailto:bwood@nftc.org)) and Scott Oakley ([soakley@nftc.org](mailto:soakley@nftc.org)).

Sincerely,

A handwritten signature in black ink that reads "Jake Colvin". The signature is written in a cursive, flowing style.

Jake Colvin  
President  
National Foreign Trade Council

CC:

Sr. Antonio Martínez Dagnino, Jefe del Servicio de Administración Tributaria, México

H.E. Ambassador Esteban Moctezuma Barragán, Embassy of Mexico, Washington, DC

The Honorable Scott Bessent, Secretary of the Treasury, U.S. Department of the Treasury,  
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Ambassador Jamieson Greer, United States Trade Representative, Office of the United States  
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