

Reduction of interim payments

COVID-19 and the impact in the cash flow of companies

Considering the extraordinary impact caused to companies derived from the pandemic generated by COVID-19, the optimization of the cash flow is essential for the business management. As a result, it becomes appropriate to adopt the option provided by tax provisions to reduce the interim payments of income tax (ISR) during the second semester.

Who can apply for the reduction of interim payments?

Under subparagraph b) of the seventh paragraph of article 15 of the ISR law, legal entities that deem to be applying a profit coefficient greater than the one they will determine at the closure of the exercise, have the possibility to request the authorization to reduce the amount of the interim payments that correspond starting on the second semester of the exercise.

It is important to file the request based on the forecast of the fiscal closing, considering that if the interim payments made in accordance to the authorization are lesser than the corresponding amount, surcharges shall be paid regarding the difference between the authorized and the corresponding payments.

When do I have to file the reduction request?

According to the statutory provisions, the request for the authorization to reduce the amount of the payment or the interim payments must be filed a month prior to the obligation of the payment, being feasible to request authorization to reduce the interim payments for one, several, or all the months of the second semester.

According to the above and as an example, if the request for the reduction is planned to be made for the interim payments of July to December, the referred request must be filed at the latest on July 17, taking into consideration that the first payment must be made on August 17.

Shortly

Bearing in mind the atypical term that businesses are going through, it is convenient to evaluate the income and taxes forecast at closure, with the intention to access the granted benefit. Of course, the accuracy of the forecasts is fundamental not to generate unnecessary surcharges for differences between the reduced interim payments and the annual tax.

We are gladly at your service to provide additional information you may require in connection to the above.

Contact us for further information:

Eduardo Arizmendi
eduardo.arizmendi@andersentaxlegal.mx

Marco Antonio Ruiz
marco.ruiz@andersentaxlegal.mx