

Frequent asked questions about transfer pricing comparability adjustments

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On November 21, 2018, the Tax Administration Service (SAT) published a list of six frequently asked questions about comparability adjustments on Mexican government website¹.

Among other topics, this publication addresses the cases in which the SAT considers that comparability adjustments must be made for transfer pricing purposes, the most common and/or necessary types of transfer pricing comparability adjustments, the timing and process for making the capital adjustment to accounts receivable, accounts payable and/or inventories, as well as the country risk adjustment.

The National Executive Committee of the Mexican Institute of Public Accountants also issued a communication on its website indicating that the capital adjustments referred to in FAQs 1-5 can be supported based on the Mexican Income Tax Law and the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations issued by the Organization for Economic Cooperation and Development. However, with respect to question six, there is no technical or legal consensus regarding the reasonable recognition of these kinds of country risk adjustments.²

This means that, before making transfer pricing comparability adjustments, it is highly recommendable that taxpayers perform a thorough analysis together with their tax advisors in order to verify whether the adjustments are in fact applicable.

¹ <https://www.gob.mx/sat/acciones-y-programas/preguntas-frecuentes-en-materia-de-precios-de-transferencia-con-respecto-a-ajustes-de-comparabilidad?tab=>

² <http://imcp.org.mx/servicios/folio-no-5-2018-2019-preguntas-frecuentes-en-materia-de-precios-de-transferencia-y-ajustes-de-comparabilidad/>

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