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EY TAX Flash

Recent development in APA procedures in the maquiladora industry

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On November 16th, 2020, the Internal Revenue Service of the United States of America (IRS) issued a statement in which they announced that together with Mexico's Servicio de Administracion Tributaria (SAT) they reached an agreement on the transfer pricing resolution methodology to avoid double taxation on maquila operations carried out between U.S. companies and their affiliates in Mexico for tax years up to 2019.

This statement highlights the following points: i) the implementation of a mechanism that takes into consideration the level of accounts receivable that is not consistent with the transfer pricing profile of the Mexican entity and ii) the intention of both tax authorities to renegotiate the methodology to cover tax year 2020 and beyond, considering the impact of current economic, commercial, and public health conditions affecting taxpayers and workstreams.

As well as the IRS, it is expected that within the next few days SAT will issue the corresponding statement for this renewal of methodology.

Based on the above, it is important to monitor the official communications issued by the tax authority in order to stay updated on these new regulations.

You can refer to the following [link](#) to review the official IRS statement.

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