



## Mexico approves the OECD MLI

### TAX CONSULTING NEWSLETTER

Dated June 7, 2017, Mexico signed the OECD Multilateral Instrument to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the MLI), as an initiative to modify existing treaties in a faster and more efficient fashion, without the need to enter into bilateral negotiations to modify each treaty, as well as to give multinational enterprises greater legal certainty and standardize compliance requirements for mitigating tax treaty abuse in compliance with the BEPS initiative. The MLI will only impact bilateral tax treaties listed as Covered Tax Agreements (the CTA) by both contracting jurisdictions.

The provisions of the MLI include, among others, general anti-abuse rules, hybrid mismatches, permanent establishments, treaty abuse, transparent entities, arbitration and mutual agreement procedures.

On October 12, 2022, the Mexican Senate ratified the OECD Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI). Of the 60 tax treaties that Mexico has in force and in application, 55 are considered CTA under the MLI. In addition, Mexico provided a list of reservations and modifications with respect to the articles of the MLI, which have changed since the signing in June 2017 and will probably be updated when the ratification instrument is deposited.

#### **Entry into force and date of applicability**

As next step, Mexico must deposit its ratification instrument to bring the MLI into force for its CTA. The MLI will enter into force on the first day of the next month following a period of three full calendar months after the deposit. Assuming Mexico deposits its ratification instrument on October 2022, the MLI will enter into force on February 1, 2023.

Regarding the date of applicability of the MLI, assuming that the ratification instrument is deposited on October 2022, the instrument would be generally applicable effective as of January 1, 2024.

It should be noted that although the USA did not sign the MLI, some international structures such as US multinationals utilizing non-US subholdings, financing platforms, or investing vehicles into Mexico will be still affected.

If you have any question or further comments regarding the foregoing, please do not hesitate to contact us at the following e-mail address: [consulta@bettinger.com.mx](mailto:consulta@bettinger.com.mx)

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