

December 23, 2006

MEXICAN TAX ALERT

Taxation on insurance payments

1. Until 2006, income received by Mexican tax resident individuals from insurance companies in their insured or beneficiary's status upon the occurrence of the covered risk, is tax exempt with independence of the nationality and/or residence of the paying company.
2. As of 2007, these payments will only be tax exempt in case of payments received from Mexican insurance companies.
3. In our perspective, the reform entails a violation to the proportionality and equity Mexican tax constitutional principles.
4. Accordingly, Mexican residents that receive these types of revenues from foreign insurance companies may contend this taxation rule through a constitutional proceeding (*"juicio de amparo"*), within fifteen business days subsequent to the filing of their annual income tax return.
5. It should be pointed out that under Mexican constitutional proceedings, (i) each taxpayer should contend this new regime on an individual basis, (ii) if not contention is done within the before mentioned term, a statute of limitation rule applies, implying therefore their acceptance of this new law.
6. Finally, we deem appropriate to mention that the tax rules regarding partial or total surrender / withdrawals of policy premiums, remain unchanged.

Should you have any comments, doubts or commentaries on the foregoing preliminary analysis, please contact us either at the phone number (52 55)52513545 or at the e-mail address info@turanzas.com.mx

Sincerely,

Turanzas, Bravo & Ambrosi
Abogados Tributarios

www.turanzas.com.mx

This document constitutes a preliminary analysis with informative purposes which has been prepared by the members of Turanzas, Bravo & Ambrosi. In no manner it intends to be an opinion or a definite position for particular cases, same that will have to be analyzed under their specific circumstances.