

# **Tax Management**

# **International Journal**<sup>™</sup>

October 28, 2025

Reproduced with permission from Tax Management International Journal, 10/28/2025. Copyright @ 2025 by Bloomberg Industry Group, Inc. (800-372-1033) http://www.bloombergindustry.com

# Mexico's Supreme Court Clarifies Tax Refund Procedures, Deadlines

Armando Lara Yaffar, José Alberto González Quiroga, Quyen Huynh, and Philippe Stephanny\*
KPMG México and KPMG US

Mexico's Supreme Court has provided guidance on requesting a tax refund.

In Mexico, requesting a tax refund can be a complicated process, especially if you do not have all the necessary information and documents ready to prove your right to a refund.

The main challenge is the sheer volume of paperwork and details that tax authorities require. Sometimes, it can be almost impossible to gather, organize, and submit everything within the strict and narrow deadlines set by the Mexican Federal Tax Code—20 working days to respond to the first request for information to substantiate the claim and just 10 working days for the second.

Tax authorities often ask for extraneous information, reports, or documents that go beyond what's actually needed for the refund claim at issue. These requests might include proof of compliance with other tax obligations, documents held by third parties, or even reconstruction of

\* <u>Armando Lara Yaffar</u> is the Head of International Tax and <u>José Alberto González Quiroga</u> is a partner in the Legal Services practice at KPMG Mexico. <u>Quyen Huynh</u> is a principal in the International Tax group and <u>Philippe Stephanny</u> is the Managing Director of Global Indirect Tax in the Washington National Tax practice of KPMG LLP.

The information in this article is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of  $\S10.37(a)(2)$  of Treasury Department Circular 230. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser. This article represents the views of the authors only and does not necessarily represent the views or professional advice of KPMG LLP.

information that exists in the accounting records for a specific purpose which is not part of the taxpayer's normal accounting process and that aren't directly related to the refund.

Based on our experience with these cases, and considering the latest rulings from the Mexican Supreme Court, there are important key points to keep in mind. This article provides practical information and tips on what taxpayers should do before, during, and after submitting a tax refund request to keep the process efficient, avoid lengthy legal battles, and ideally get your refund quickly—right at the administrative stage.

### **Challenge Based on Formal Issues**

When taxpayers submit a request to the tax authorities for a refund because they have paid more than required, it is essential that all documents and information are complete and correct. If the request is denied due to formal mistakes—such as missing documents or incorrect data—the question arises whether the taxpayer cannot simply correct these errors and submit a new refund request. The tax authorities' position is that a taxpayer may not submit a new claim.

The law sets out a procedure for requesting a tax refund. If the tax authorities reject the request due to formal errors, taxpayers have the right to challenge that decision, meaning they can ask for a review. But if a taxpayer chooses not to do so and simply lets time pass, the taxpayer cannot submit the same request again after correcting errors or providing new documents. The authority's decision is final, and it can only be changed if a taxpayer uses the legal mechanisms to challenge the decision, such as filing an administrative appeal or going to court. Allowing taxpayers to submit new requests over and over again, without following the legal process, would go against legal certainty according to the tax authorities and courts.

# **Requests for Information**

Requesting a tax refund can seem like a complicated process, especially because the rules followed by the tax authorities can be confusing for those who are not familiar with the subject. However, understanding the basic steps and recent changes in how the law is interpreted can help taxpayers know what to expect.

In Mexico, if a person or company has a positive balance with the tax authorities (meaning they paid more taxes than they owed), they can ask to have that money refunded. To make sure the refund is legitimate, the tax authorities have the right to ask for information and documents that prove the origin of that balance. Interestingly, they can make these requests up to two times.

The first time, the tax authority can ask for any data and paperwork they consider necessary to validate the claim. If the taxpayer doesn't respond or doesn't comply with this first request, the refund application is automatically withdrawn, and no refund is issued. However, if the taxpayer does respond but the information is considered by the tax authorities to be incomplete, a question arises: should the SAT ask for more information a second time, or simply reject the application?

This point has sparked debate among the courts. Some believe a second request can only be made if the taxpayer fully responded to the first one. Others argued that if the response was partial, the tax authority should give a second opportunity to complete the response before denying the refund.

### **Supreme Court Criteria**

To clarify these doubts, in June 2025 the Second Chamber of the Mexican Supreme Court of Justice issued two important rulings on how authorities and taxpayers should proceed in these types of cases. These decisions aim to bring more certainty and transparency to the tax refund process, so taxpayers know what to expect and how to act if they encounter problems.

The Second Chamber decided that the tax authority may only issue a second request for information or documentation during the refund process if the taxpayer has fully complied with the first request (<u>Jurisprudence 2a./J. 33/2025</u>).

This means that a second request for information is only appropriate when the documentation provided in response to the first request raises new questions that the tax authority needs to clarify, but always on the basis that the first request has been completely fulfilled. Allowing a second request before full compliance with the first would be inconsistent with the legal provision.

If a taxpayer does not challenge the resolution denying the refund of a favorable balance on formal grounds, they cannot submit a new application correcting errors or adding documents (Jurisprudence 2a./J. 32/2025).

This jurisprudential criterion emphasizes that the taxpayer must exhaust administrative remedies or pursue administrative litigation if they disagree with the tax authority's determination. Failing to do so does not grant a new opportunity to request a refund, as the tax authority has already issued a decision that can only be changed through a judicial or administrative resolution. This interpretation aims to prevent taxpayers from correcting or improving their initial application

without having completed the full legal process required to obtain a refund of a favorable balance.

# **Key Takeaways**

Based on these jurisprudential criteria, and in order to avoid Mexican subsidiaries being adversely affected by them in ongoing or future procedures, the following key points should be considered to make the refund process more effective:

- If a refund is under review with partial compliance with the first request.
  - If the first request for information was not fully satisfied, the taxpayer should consider withdrawing the refund application.
  - o In cases of an express denial, a new refund request may not be submitted with more information; instead, taxpayers must turn to the appropriate legal avenues.

#### • Defense file.

- To ensure a successful refund process, taxpayers should document the materiality of transactions. There are precedents in favor of taxpayers that simplify this task, making it more effective by relying on evidence and its joint combined analysis.
- In transactions that are inherently complex, economic substance can serve as a compelling element for the tax authorities when assessing the legitimacy of the refund.
- Business purpose may also be a relevant factor in certain cases. Taxpayers should thoroughly review any transactions that could be questioned and properly document this aspect.
- There are various favorable criteria highlighting the relevance of circumstantial evidence in proving materiality, which provides stronger legal support for an effective refund application.

#### • Excessive requests.

- Materiality of transactions. Demanding impossible or unreasonable requirements to prove the materiality of transactions—such as requesting information or documentation where no specific formalities exist—constitutes a disproportionate and unattainable standard.
- Excessive documentation. Carefully review the information requests, as tax authorities often seek excessive documentation that is not necessarily directly related to the origin of the favorable balance.

- Special integrations. Prepare information and/or documentation in line with the specific requirements set by the tax authorities to demonstrate the origin of the favorable balance.
- Filing a complaint before the tax ombudsman (Procuraduría de la Defensa del Contribuyente) may help mitigate any risks associated with the refund process.
- Refund application is totally or partially denied.
  - Taxpayer must pursue the appropriate legal remedies. The administrative appeal is the last instance to properly document the origin of the favorable balance, and, if necessary, to present expert evidence that may strengthen a case for approval.

This article does not necessarily reflect the opinion of Bloomberg Industry Group, Inc., the publisher of Bloomberg Law, Bloomberg Tax, and Bloomberg Government, or its owners.