Issue
No. 136

Annual Tax Return 2025: A Digitalized Reconciliation Exercise

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- The Annual Tax Return should be approached as a preventive data and documentation audit process, rather than a year-end accounting filing exercise.
- Operational inconsistencies generate tangible costs, even for compliant companies.
- The new tax risk no longer lies primarily in calculation accuracy, but in digital consistency and data coherence.

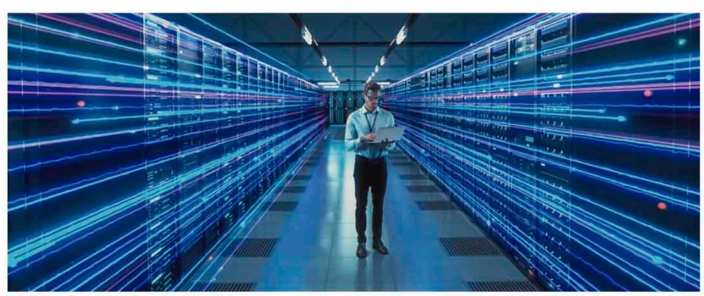
Tax compliance no longer depends solely on accurately determining tax liabilities; it now requires full consistency across accounting records, issued tax invoices, and the supporting evidence for each transaction. Under this new digital and analytics-based validation model, even traditionally compliant companies may face compliance challenges.

Corporate entities (including companies under the General Tax Regime, RESICO, and other regimes under Title II of Mexico's Income Tax Law) are required to file the annual tax return for fiscal year 2025 no later than March 31, 2026.

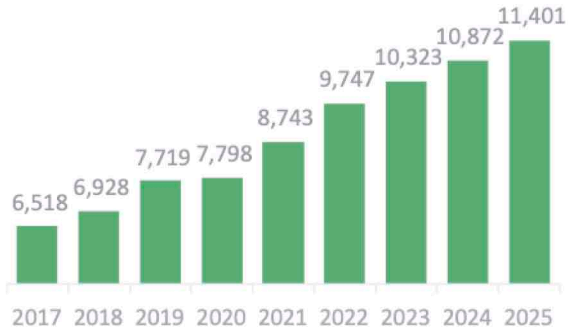
Since December 1, 2025, Mexico's tax authority (SAT) has made available a pre-loaded filing simulator. While this tool streamlines preparation, it also places a critical responsibility on companies: **to verify that the pre-populated information aligns precisely with their accounting records and supporting documentation.** Today, the main risk is no longer incorrect data entry, but rather failing to identify discrepancies between the information already held by the tax authority and what the taxpayer intends to report.

Data-Driven Tax Enforcement, Not Paper-Based Review

Fiscal year 2025 marks a meaningful shift in the tax compliance model, supported by data analytics, automated cross-checks, and systematic validations. **Tax authorities now have the capability to reconcile, in seconds, information across multiple sources,** including: issued and received CFDIs (electronic invoices), provisional tax payments filed, withholdings remitted, payment complements, and informative returns, among others.



Cumulative Annual Electronic Tax Invoices Issued (Millions)



Source: Competimex, S.C. | Based on information from SAT.

This means that the annual tax return has become a comprehensive digital consistency exercise. Any discrepancy may trigger automated rejections, information requests, or electronic reviews—in real time.

Key Updates for the 2025 Annual Return

Rather than introducing structural reforms, the tax rules applicable to 2025 have brought operational adjustments within the new filing platform that require stronger internal controls from taxpayers. Key updates include:

• Extensive Use of Pre-Populated Information
The platform incorporates historical taxpayer data, reducing manual data entry but also narrowing the margin for subsequent corrections.

This creates a clear need to perform pre-filing reconciliations, including provisional tax payments accounting records, verification that canceled CFDIs are properly reflected as canceled, and confirmation that no duplicate income has been recorded due to invoicing errors.

• Ongoing Updates to CFDI Catalogs and Validations
SAT has strengthened validations and updated CFDI catalogs, requiring companies to keep their administrative and billing systems fully synchronized.

Seemingly minor errors—such as incorrect codes, payment methods, tax object classifications, or customs entry references (pediments)—can now become automatically detectable inconsistencies.

As a result, companies must verify that billing systems are up to date and ensure proper linkage across income, expense, and payment CFDIs.

• Traceability of Transactions and Intangible Services
Digital transactions have become an area of heightened scrutiny by the tax authority, given the historical difficulty of demonstrating their substance (materiality).

It Is Not Non-Compliance—It Is Inconsistency

The main challenge companies face today is not necessarily a lack of compliance, but the risk of incurring technical or documentary inconsistencies in the context of fully digitalized tax enforcement.

Under the new model, the tax authority validates information through automated cross-checks among CFDIs, tax returns, electronic accounting records, provisional tax payments, and payment complements. **When any of these elements does not reconcile, the system may generate observations or rejections—even for companies with a strong historical compliance record.**

A particularly critical issue is the substance (materiality) of deductions. Many companies assume an expense is deductible because they hold a valid invoice, contract, and proof of payment; however, the authority is now applying greater scrutiny to the direct relationship between the expense and the company's business activity, and evidence that the service was actually rendered. Where materiality cannot be substantiated—a recurring issue in technology and digital services, specialized advisory services, and intra-group services—the deduction may be disallowed, generating real costs beyond the inability to recognize the expense for tax purposes.

The economic impact of these inconsistencies is often underestimated. Beyond fines and penalties, companies face significant indirect costs: staff time devoted to clarifications, external advisory fees, temporary suspension of tax refunds, and even the suspension of digital tax stamp certificates (CSDs). **In other words, a company may have an otherwise strong compliance track record and still be disrupted by a breakdown in the reconciliation of its tax, accounting, and digital records.**

How to Be Prepared

Preparation for the 2025 Annual Tax Return should be approached as a preventive internal audit process. Recommended actions prior to filing include:

- Conduct a full tax-to-digital reconciliation.
- Review the substance (materiality) of intangible and digital services.
- Validate that each deduction is supported by operational evidence, not only tax documentation.
- Align accounting records, CFDIs, and provisional tax filings.
- Document the business rationale for related-party transactions.
- Verify that billing and accounting systems are properly updated.

Reconciliation: The Key Success Factor

Today, compliance no longer means simply calculating taxes correctly; it means demonstrating, through consistent data, that each transaction existed, was necessary, and is fully supported. **Heightened scrutiny is no longer only in the hands of the tax authority—it now requires taxpayers to be proactive and several steps ahead.**

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