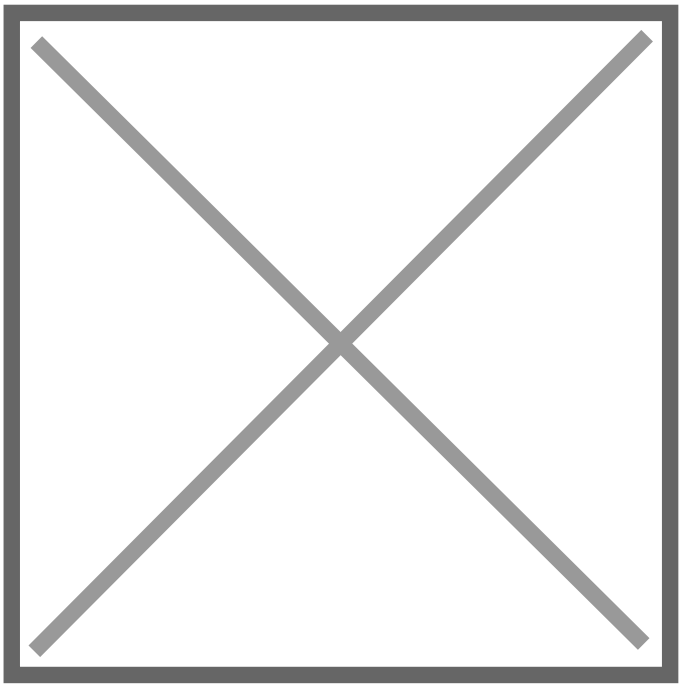


The new Administrative Court Procedure: streamlining and reducing costs

The amendment introduces a new form of annulment trial (juicio de nulidad), which is the legal remedy available for taxpayers to challenge Federal tax deficiency assessments, refund denials and other similar Federal tax rulings before the Administrative Court (Tribunal Federal de Justicia Administrativa).

This new form of annulment trial, the trial with a decision exclusively on substance (juicio de resolución exclusiva de fondo) ("Trial on Substance"), grants taxpayers the opportunity to choose a more streamlined format of the annulment trial.

The key features of the Trial on Substance are:

- As a condition to submit a case under the new Trial on Substance format, the taxpayer must explicitly request so in its claim and waive the right to argue any formal argument (e.g., procedural violations during a tax inspection), hence its name.

- More importantly, taxpayers are released from the obligation to provide collateral when challenging a tax deficiency assessment, which is a major burden for taxpayers.

- Reduced legal terms to shorten the length of the proceedings.

- Hearings before the Magistrate are held, as opposed to proceedings exclusively in written form.

- Required minimum amount in controversy: 5,507,600 MXP (approximately 280,000 USD).

- Taxpayers with currently existing trials may choose to convert them into a Trial on Substance.

- No later than June 30, 2017, three special chambers of the Administrative Court will be created in major cities to handle the new Trial on Substance. Meanwhile, taxpayers may only use previous formats of the annulment claim.

Given the shortened length of the Trial on Substance and the reduced cost due to the lack of collateral, it may be a very useful tool for taxpayers to quickly resolve controversies with the Mexican Federal tax authority at a reduced expense.

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