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LEGAL ENTITIES: OBLIGATION TO IDENTIFY THE CONTROLLING BENEFICIARY

As of the year 2022, legal entities have a new obligation before tax authorities: to identify the **Controlling Beneficiary**.

The obligations related to the **Controlling Beneficiary** are set forth in articles 32-B Ter to 32-B Quarter of the Federal Tax Code and are aimed at identifying the individuals who have the decision-making control or the economic benefits of the company. For purposes of the law of the subject matter, controlling beneficiary is understood as the individual or group of individuals who:

I. Directly or through a third party or parties, or by means of any legal act, obtains/ obtain the benefit derived from their participation in a legal entity, a trust, or any other legal figure, as well as from any other legal act, or is who ultimately exercises the rights of use, enjoyment, benefit, exploitation, or disposal of a good or service, or on whose behalf a transaction is carried out, even if they do so on a contingent basis.

II. Directly, indirectly, or contingently exercise control of the legal entity, trust, or any other legal figure.

A natural person or group of natural persons are presumed to exercise control when, through the ownership of securities, by contract, or by any other legal act, they may:

a) Directly or indirectly impose decisions at general meetings of shareholders, partners, or equivalent bodies, or appoint or dismiss the majority of directors, managers, or their equivalents.

b) Keep ownership of the rights which directly or indirectly allow the exercise of voting rights with respect to more than 15% of the capital stock or assets.

c) Directly or indirectly run the administration, strategy, or main policies of the legal entity, trust, or any other legal figure.

The main obligations arising from the legal provisions regarding the **Controlling Beneficiary** are to:

- Obtain and keep as part of their accounting the reliable, complete, and updated information of their **Controlling Beneficiaries**. This involves obtaining, among others, information from individuals, such as their IDs, taxpayers identification numbers in their countries of origin or residence, domicile utility bills, etc.

- Keep updated the information related to the **Controlling Beneficiaries**.

- Implement duly documented internal control procedures on the identification of the **Controlling Beneficiaries**.

- Provide, allow timely access to, and grant tax authorities ability to easily access the information of the **Controlling Beneficiaries**.

The fines established for non-compliance with these obligations range from **USD$25,000.00 to USD$100,000.00** per event and per **Controlling Beneficiary**.

It is important to mention that there is no time limit granted by the authority to comply with this obligation, since compliance must be performed on an ongoing basis.

Based on the above, we hereby suggest you to comply with the aforementioned obligations, for which it is likely that our team will request information on the **Controlling Beneficiaries**, based on the analysis of the company's corporate structure.

November, 2022.