
EXPLANATORY NOTE

(This note is not part of the Order)

The Schedule to this Order contains a Protocol (“the Protocol”) which amends a convention between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the United Mexican States for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital Gains, which was scheduled to the Double Taxation Relief (Taxes on Income) (Mexico) Order 1994 ([S.I. 1994/3212](#)) (“the Convention”). This Order brings the Protocol into effect.

The Convention aims to eliminate the double taxation of income or gains arising in one country and paid to residents of the other country. It does this by allocating the taxing rights that each country has under its domestic law over the same income and gains, and/or by providing relief from double taxation. It also has specific measures which combat discriminatory tax treatment and provide for assistance in international tax enforcement. The Protocol continues that approach.

The Protocol amends Article 2 of the Convention to provide for the inclusion of the Mexican business flat rate tax. Article 10 is amended to provide for exemption from taxation of dividends in the circumstances set out in the amending provisions. Article 27 is replaced and updated to bring it into line with the new international standard for exchange of information as set out in the Model Tax Convention on Income and on Capital published by the Organisation for Economic Cooperation and Development (“OECD”). It also provides for the exchange of information foreseeably relevant to taxes of every kind and description imposed by the two countries. The newly inserted Article 27A provides rules under which the two countries may provide assistance to each other in the collection of their taxes.

Article 1 provides for citation.

Article 2 makes a declaration as to the effect and content of the arrangements set out in the Protocol.

The Protocol will enter into force on the date of the later of the notifications by each country of the completion of its legislative procedures. It shall have effect in relation to the exchange of information and requests for assistance made on or after the date of entry into force of the Protocol. In relation to the Mexican business flat rate tax, the Protocol shall have effect from 1st January 2008.

The date of entry into force will, in due course, be published in the *London, Edinburgh and Belfast Gazettes*.

A full and final Impact Assessment has not been produced for this Order as a negligible impact on the private or voluntary sectors is foreseen.