



SPECIAL MEETING ON INTERNATIONAL COOPERATION IN TAX MATTERS

“Extractive Industries in Developing Countries”

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ROLE OF TAXATION OF EXTRACTIVE INDUSTRIES IN RESOURCE-RICH COUNTRIES

- GDP of Mining Industry in Mexico is 8.5% of Industrial GDP
- Produces Gold, Silver, Copper, Zinc, Sand, Iron Ore and Gravel
- Key element in the Tax Base and sensitive concern in recent years
- Evidence of mispricing in mineral prices has been encountered
- Main focus in related parties transactions

ROLE OF TAXATION OF EXTRACTIVE INDUSTRIES IN RESOURCE-RICH COUNTRIES

- Difficulties include: related parties transactions, definition of related parties, subjectivity in the application of Transfer Pricing methods, financial transactions, low tax jurisdictions.
- Possible alternatives: training, risk assessment, audit program, streaming legislation and rules.

RELEVANCE FOR DOMESTIC RESOURCE MOBILIZATION

- Non-renewable resources are a main concern
- Extractive industry extra revenue can contribute to growth, employment and development objectives
- Current state could prevent proper revenue being raised from extractive industries
- Relevant focus on the extractive industry from the Tax Administration (Large Taxpayer's Administration)
- Training and international network

UN HANDBOOK ASSISTANCE IN THE PRESSING ISSUES OF EXTRACTIVE INDUSTRIES

- Industry knowledge
- Identification of whole value chain
- Selection and application of proper TP methodologies
- Main focus on cost base (e.g. Intragroup Services)
- Financial transactions (e.g. hedging)
- Relevant real life examples