

MEXICO E INVOICING

INTERNATIONAL LEADERSHIP



AMEXIPAC[®]

ASOCIACIÓN MEXICANA DE PROVEEDORES
AUTORIZADOS DE CERTIFICACIÓN

Asociación Mexicana de Proveedores Autorizados de Certificación, AMEXIPAC, A.C., was incorporated on June 29th, 2012. Currently, AMEXIPAC, represents over 70% of the E-invoices certified/stamped in Mexico.

AMEXIPAC has three main goals:

Information:

Provide valuable data regarding E-invoice operations in Mexico, including applicable regulations and technology solutions available for end users.

Functionality:

Achieve interoperability among PACs to enable full user communication and easy access to any commercial or corporate recipient.

Representation:

Advocate and support PACs interests, representing the industry in the Public and Private Sector, and promoting the benefits of Mexico's E-invoicing model.

AMEXIPAC is committed to following international best practices in the E-invoice industry. To do so, AMEXIPAC has 3 permanent Committees that work as follows:

- **Regulatory Committee:**
 - Reviews operative, technical and business impacts of regulation reforms.
 - Analysis criteria regarding operative questions for which no specific guideline is provided in applicable law.
- **Technological Committee:**
 - Reviews communications between PACs- and E-invoicing authorities to optimize processes.
 - Identifies improvement opportunities to contribute to the efficiency of the final user.
- **Communications Committee:**
 - Designs joint communication programs with authorities regarding E-invoicing campaigns.
 - Promotes benefits of using E-invoice, along with electronic means in Mexico.

PACs: Added Value.

Besides guaranteeing full compliance with SAT's regulation on the issue of E-invoice, PACs offer a wide range of added value services that enable users to maximize their efficiency.

Two added value services offered by PACs, are among the most demanded services by the market around E-invoicing:



Validation of received digital invoices. Thanks to the infrastructure that allows PACs to certify/stamp e-invoices, PAC's have the tools and regulation knowledge that allows them to apply validations that identify an authentic E-invoice 3.2 XML file.



Addendas. Addendas are an optional element of an E-Invoices that, if applicable, are included in the XML format to add non tax information, pursuant to the applicable commercial practices. Regularly, an addenda includes information regarding the purchase order, identification of vendor, delivery of merchandise, among other commercial issues.

Although each PAC is an independent company that offers a specific portfolio of services, the latter are offered by all AMEXIPAC Members, together with the following solutions focused towards servicing end users.

E-invoice Added Value Services

- Document generation.
- Reception mailboxes.
- Massive cancellations.
- High-volume stamping.
- Extended storage.

Integrations for e-Commerce

- EDI solutions and apps.
- Integration of systems between clients and suppliers: Purchase orders, receipts, payment receipts.
- Integration through web services, SFTP, OFTP, AS/2.
- Inventory control.
- Electronic catalogues of products and services.
- Converting files.

Outsourcing of IT Services

- Data center services.
- Service table, user support.
- Data migration.
- Development and support of data bases.

Management Systems

- Design and Implementation.
- Support.
- Data migration.
- Development and support of data bases.

Mobile Applications and Websites

- Integration of platforms and devices.
- Clients, vendors, employees.

Information Security.

E-invoice 3.2 requires data encryption available through the use of digital certificates used by taxpayers, PACs, and SAT. Notwithstanding the above, other elements in the E-invoice 3.2 also add security value to the digital invoice processes.

Currently, regulations in Mexico regarding E-invoice establish rules for the issue of the XML file, but also regulate the visual representation of such XML that if applicable must be generated as a PDF file.

Although the XML file stamped by a PAC constitutes de E-invoice itself, regulation to visual representations of E-invoices has aided in the transition from paper to electronic invoicing.

The following are elements that increase information security in current E-invoice 3.2.

1. UUID. Universally Unique Identifier.

Its main characteristic is that it is a folio number that may be generated from certain information without needing to be linked to a central device. It prevents the risk of having duplicates. UUID is now assigned directly by a PAC after validating the receipt.

The UUID is composed of 32 characters assigned in five sets: 8 – 4 – 4 – 4– 12.

The characters may be digits from 0 to 9 and the first 6 letters of the alphabet.

Example: 870b5132-b31d-e871-a082-775342632987

2. Two-dimensional Bar Code.

It is a two-dimensional image file containing data that allows the identification of a taxpayer registry. Unlike traditional barcodes, this one can store more than 4000 characters. The standard used is QR-Code.



Safeguarding E-invoice.

Tax law requires E-invoices to be safeguarded during a period of time:

1. Taxpayers: During the same time he is bound to keep accounting records. Regularly, 5 years. (Could be longer if a transaction is amortized for tax purposes over this period.)

2. PACs: 90 days after they've certified/stamp an E-invoice.

To store E-invoices the law establishes that they can be safeguarded through magnetic or optic means or through any other technology, as long as they keep their XML format.

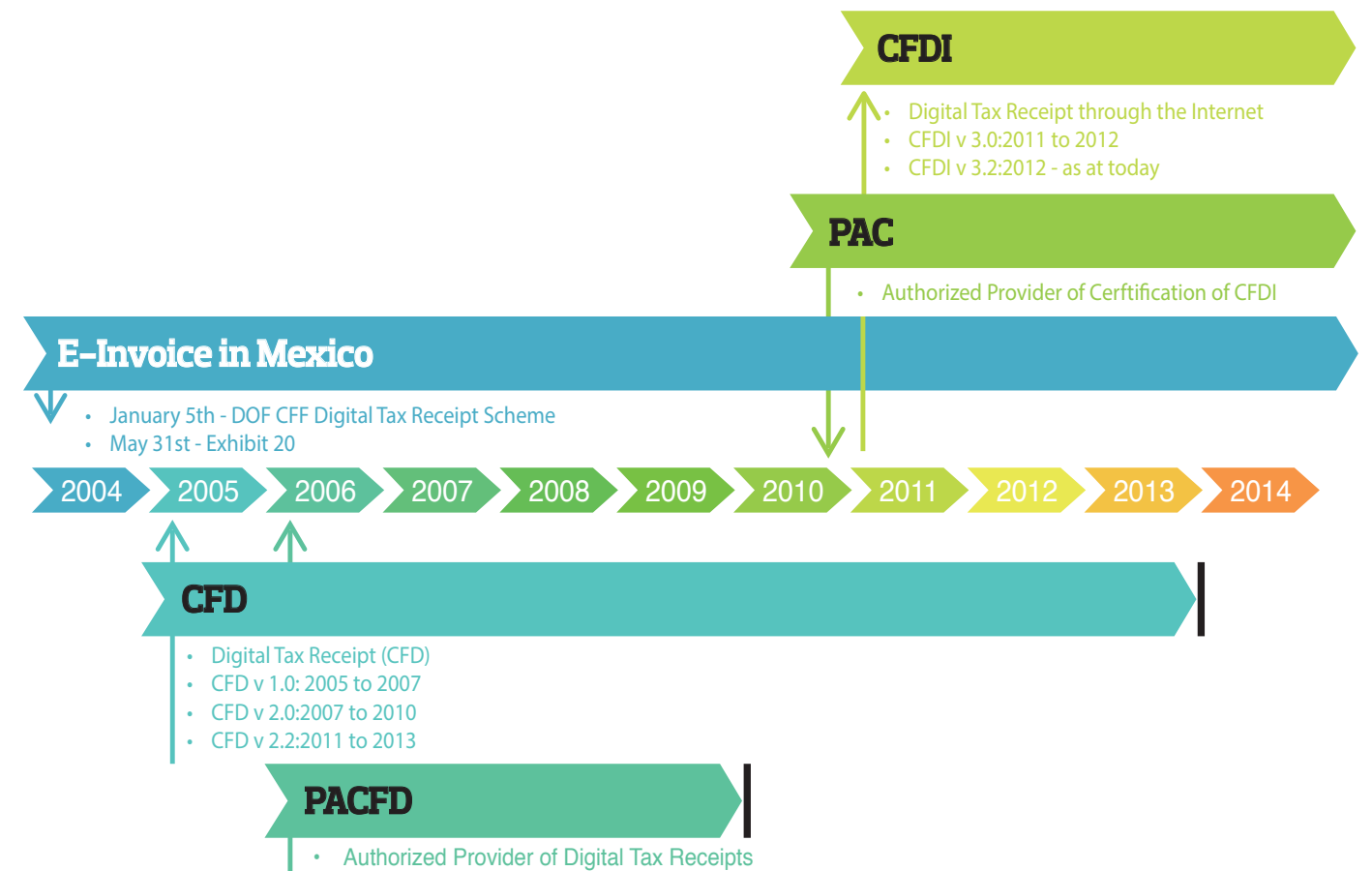
- Invoice history.



On January 5th, 2004, the Ministry of Tax and Public Credit (SHCP) published in the Official Federal Gazette the Digital Tax Receipt scheme, which became effective such year. Later that same year, on May 31st, 2004 Exhibit 20 was published by Mexican Tax Authority (SAT), which provided the first technical standard of the Digital Tax Receipt.

Since then, SAT has awarded the digital tax receipt legal recognition as proof of income and expense, for tax purposes, promoting the use of information technologies in the country.

During the last 10 years, the E-invoicing model has evolved to enhance information security for all users. SAT's regulations have established a total of 5 versions of digital invoicing of which the most recent and only one applicable beginning January 1st, 2014 is version 3.2.



1. Secretaría de Hacienda y Crédito Público. www.schp.gob.mx
 2. Servicio de Administración Tributaria. www.sat.gob.mx

Joint Model: Tax Authorities & Service Providers.

Service providers known in Mexico as PACs (for its acronym in Spanish), have been key figures of the adoption of E-invoice in the country. PACs have habilitated access to diverse versions of digital invoicing regulated by the authorities for the last 10 years. They have developed added value services according to market demands, turning mandatory E-invoice into the entrance for business digitalization. PACs have contributed significantly to the increased use of technology solutions in Mexico for companies of all sizes.

PACs are trusted third parties in the issuance of CFDI, because they are authorized, regulated and audited by SAT. In order to become PAC, the interested entity goes through an exhaustive technical and legal audit, to guarantee the operative and infrastructure safety of the company. Afterwards, the PAC must evidence that it meets the applicable obligations to continue to hold the authorized status.

PACs guarantee availability and maximum information security levels of operations for end users. They currently hold more than 10,000 high value jobs, concentrating the specialists in regulation and technical operations of E-invoicing in Mexico. The latter, allows them to offer education and market orientation to taxpayers.

Relevant characteristics of PAC's operation are listed next:

- Absolute traceability of information through well-established processes.
- Minimum availability through a robust and redundant infrastructure 24/7.
- Average availability of 99.7% to the end user of E-invoice.
- Regulated by service levels agreements that measure operation levels performance.
- Shared infrastructure, allows them to achieve scale economies.
- Flexible platforms allow end users an agile adoption of tax changes.

Illustration 2. Official seals of Mexican service providers: PACs.



Left: SAT's Service Provider Identification.
Right: AMEXIPAC Member Identification.

3. Proveedor Autorizado de Certificación de Comprobantes Fiscales Digitales a través de Internet.

Current E-invoice version 3.2.

Since 2011 version 3.2 has been established by SAT as the rule for issuing invoices. However, until December 31st, 2013 a grace period for some taxpayers has been in effect. This has given taxpayers sufficient time to prepare for issuing E-invoice 3.2.

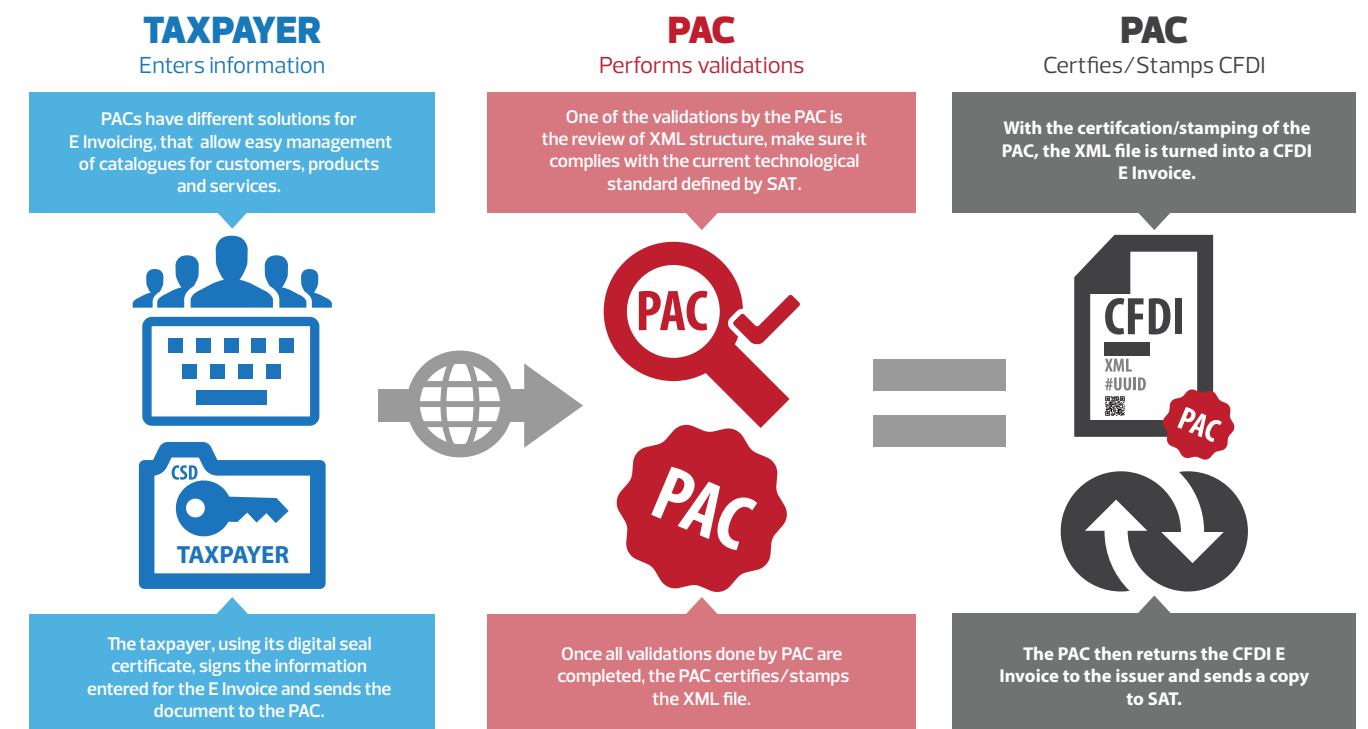
Beginning January 1st, 2014, all E-invoices in Mexico will be 3.2, allowing a full standardization of the market.

E-invoice 3.2 are XML files that require the certification/stamping of a PAC for the invoice to be issued. Communication among taxpayers that issue the invoice, PACs, and SAT, is provided through Public Key Infrastructure, PKI.

The following steps provide a brief description of the issue process of an E-invoice 3.2:

1. Taxpayer enters information and signs the message: Using an invoice generation system provided by a PAC or SAT, taxpayer integrates the data of sales or services provided, composing the tax transaction. Before sending to a PAC for validation, the taxpayer uses his digital seal certificate to sign the message and prove his authorship as issuer of the E-Invoice.
2. PAC performs validations: PAC carries out the validations provided by law to determine if the E-invoice is compliant with the technical standard defined by SAT.
3. PAC certifies/stamps the E-invoice: If all validations are approved, the PAC certifies/stamps the document, turning it into a valid E-invoice 3.2. Immediately, the PAC returns a copy of the E-invoice to the issuer and also sends a copy to SAT, as mandated by law.

Illustration 3. Issuing process of E-invoice 3.2.



4. Certificado de Sello Digital.



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