



January 2007

## ***State Payroll Tax Unconstitutionality***

Please be advised that there are **sufficient legal elements** to challenge the State Payroll Tax (ISN), which establishes the payment of 2.6% over employee's wages.

We have carried out an extensive analysis of the legal provisions which regulate such taxation, concluding that it is an infringement of Article 16 of the Constitution. Likewise, in fiscal year 2006, our firm obtained legal precedent where the court resolved the full refund of the ISN.

Please be reminded that individuals and legal entities located in the state of Chihuahua that make payment of personal subordinated services, are compelled to pay the ISN (State Payroll Tax) on a monthly basis at the rate of 2.6% of the total payments.

The strategy consists in the challenging of the provisions that regulate this tax, through a Constitutional challenge which has to be filed within 15 working days from the first payment made in 2007.

**If this right is not exercised, the tax will be considered as consented and it will need to be paid notwithstanding that it be found to be unconstitutional.**

Having explained this situation, we consider it important to evaluate each particular case in order to determine the benefit for your company.

If you require additional information, please feel free to contact us.

Sincerely,

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