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## INCOME TAX LAW

In the margin, a seal with the National Coat of Arms and the legend "United Mexican States. Office of the President of the Republic

VICENTE FOX QUESADA, Constitutional President of the United Mexican States, to its inhabitants, know ye:

That the Honorable Congress of the union has been pleased to direct to me the following:

### DECREE

The General Congress of the United Mexican States, decrees:

## INCOME TAX LAW

(Published in the Official Daily of the Federal Government for January 1st. and list of errata on January 24, 2002)

### TITLE III

#### Regime for Non-profit Entities

##### Tax regime[1]

ARTICLE 93. The entities referred to in Article 95 and 102 hereof, and also investment companies specializing in retirement funds, shall pay no Income Tax except as provided in Article 94 thereof. Their participants shall only consider as distributable remainder the revenues delivered to them in cash or in kind by said entities.

##### Investment corporations [2]

The provisions of this Title shall also be applicable to the investment companies referred to in the Investment Companies Act except those referred to in Article 50 hereof. Members or shareholders of the investment companies referred to in this paragraph shall be taxpayers hereunder.

##### Distributable remainder[3]

The entities referred to in this Article shall determine the distributable remainder for the calendar year of its members or shareholders by subtracting the deductions authorized under Title IV hereof from the revenues obtained in the period (except those indicated in Article 109 hereof and those on which the final tax has been paid).

##### Participants or shareholders of entities[4]

When the majority of the participants or shareholders of such entities are taxpayers under Title II hereof, the distributable remainder shall be computed by adding the revenues applicable and subtracting the deductions applicable thereunder. When said majority consists of taxpayers under Part I or II of Chapter II of Title IV hereof, the distributable

remainder shall be computed by adding the revenues and subtracting the deductions as applicable under said Part.

#### Refunds of contributions[5]

The participants or shareholders of the entities referred to in this Title shall not consider that said entities' refunds of contributions made by them are revenues. The provisions of Article 89 hereof shall be observed for said purposes.

#### Taxed revenues[6]

If the entities referred to in this Title alienate goods not included in their fixed assets or render services to persons other than their members, the tax on profit from revenues from the activities referred to in Title II hereof shall be at the rate of Article 10 hereof when such revenues exceed 5% of the total revenues of the entity in the then current fiscal year. The provisions of this paragraph shall not be applicable to entities authorized to obtain deductible donations pursuant to Section I of Article 31 and Section III of Article 176 hereof.

#### Revenues that are taxed[1]

ARTICLE 94. The entities referred to in this Title (excepting those mentioned in Article 102 hereof and also excepting investment companies specializing in retirement funds and entities authorized hereunder to receive deductible donations) shall pay Income Tax on their revenues of the nature referred to in Chapter IV, VI, and VII of Title IV hereof, regardless of those referred to in Chapter VI hereof being obtained in foreign currency. The provisions of said Title shall be applicable for said purposes, and amounts withheld, if any, shall have standing as final payments.

#### Investment companies[2]

Neither the debt-investment nor the variable-yield investment companies referred to in Article 103 hereof shall pay tax hereunder on their revenues described in Chapter VI of Title IV hereof. Said companies and their members or shareholders shall observe the provisions of Articles 103, 104 y 105 thereof.

#### Persons who are not taxpayers[1]

ARTICLE 95. The following persons, in addition to those listed in Article 102 hereof, shall be deemed non-profit entities:

- I. Unions of workmen, and organizations in which such unions are grouped.
- II. Associations of employers.
- III. Chambers of commerce and industry; groups of farmers, stockmen, fishermen, or silviculture and the organizations into which they assemble.
- IV. Collegiate bodies of professionals, and the organizations into which they are grouped.

V. Civil associations and limited liability societies for purposes of public interest performing decentralized management of irrigation districts or units upon prior concession or permit.

VI. Welfare or beneficent institutions duly authorized by the laws governing such matters, and also non-profit civil societies or associations authorized hereunder to receive donations and having low-income persons, sectors or regions as their beneficiaries, or conducting activities to improve subsistence and development conditions for indigenous communities or for groups rendered vulnerable by virtue of age, sex or problems of incapability, and engaging in the following activities:

- a) Attention to requirements of basic subsistence in matters of food, clothing or lodging.
- b) Medical attendance or medical rehabilitation, or attendance in specialized establishments.
- c) Legal assistance, support or promotion of protection of the rights of minors or the social readaptation of offenders.
- d) Rehabilitation of alcoholics and drug addicts.
- e) Assistance for funeral services.
- f) Social or educational orientation or work training.
- g) Promotion of organized participation in acts improving the condition of the community.

VII. Cooperative consumption societies.

VIII. The organizations, whether of producer or consumers, into which cooperative societies are grouped under law.

IX. Mutual societies which do not operate with third parties, provided, that they do not incur in expenses such as premiums, commissions or other similar items, for acquisition of business.

X. Civil societies or associations engaging in teaching and possessing authorization or acknowledgment of official validity of studies in the terms of the General Education Act, and also institutions created by presidential decree or by law and having teaching as their purpose.

XI. Civil societies or associations engaging in scientific or technological research and duly recorded in the National Registry of Scientific and Technological Institutions.

XII. Non-profit civil associations or societies authorized to receive donations and engaging in the following activities:

a) Promotion and diffusion of music, plastic arts, dramatic arts, dance, literature, architecture or cinematography under the Law creating the National Institute of Beaux Arts and Literature or the Federal Law of Cinematography.

b) Support of artistic, educational and research activities, in accordance with the next preceding Subsection.

c) Protection, conservation, restoration and recovery of the Nation's cultural patrimony, as provided in the National Law on Archeological, Artistic and Historical Monuments and the General Law of National Assets; or the art of indigenous communities in all primary manifestations of their own languages, uses and customs, artisanry and traditions of the plurality of cultural compositions comprising this country.

d) Installation on establishment of libraries included in the National Network of Public Libraries, in accordance with the General Libraries Act.

e) Support of the activities and objectives of museums depending on the National Council for Culture and the Arts.

XIII. Civil institutions or societies organized for the sole purpose of managing savings funds or boxes, and those referred to in the labor legislation, and also the savings and loan cooperatives referred to in the Popular Savings and Credit Act.

XIV. Associations of parents duly organized and registered in terms of the Regulations for Associations of Parents of the Federal Education Act.

XV. Collective management associations organized in terms of the Federal Law of Copyright.

XVI. Civil associations or societies organized for political, sporting or religious purposes.

XVII. Civil associations or societies which grant scholarships, as referred to in Article 98 hereof.

XVIII. Civil associations of colonos, and civil associations engaged exclusively in the management of a property under the regime of condominium.

XIX. Non-profit civil societies and associations organized and operating solely for activities of investigation or preservation of wild land or aquatic flora or fauna in the specific geographic areas specified in general rules issued by the Tax Administration Service, and those organized and operating for the sole purpose of promoting prevention and control of water, air and soil contamination, protection of the environment, and conservation and restoration of ecological equilibrium among the general public. Said societies or associations shall require to comply with the requisites of Section II, III, IV and V of Article 97 hereof to be deemed authorized hereunder to receive donations.

XX. Non-profit civil associations and societies evidencing engaging exclusively in reproduction of protected and endangered species and conservation of the habitat thereof, provided, that, in addition to complying with such general rules as are issued by the Tax Administration Service, they obtain the prior opinion of the Ministry of the Environment and National Resources. Said associations and societies shall comply with the requisites of Section II, III, IV and V of Article 97 hereof.

#### Distributable remainder[2]

The entities referred to in Sections V, VI, VII, IX, X, XI, XIII, XVI, XVII, XVIII, XIX and XX of this Article, and the investment companies referred to in this Title shall consider distributable remainder (regardless of their not having delivered it in cash or in kind to their participants or shareholders) the amounts of revenues omitted or purchases not made but unduly recorded; their disbursements which are not deductible in the terms of Title IV hereof (except when said circumstance is due to failure by such disbursements to comply with Section IV of Article 172 hereof); and loans to their partners or participants, or to the spouses or direct ascendants or descendants of the former or the latter (except to partners or participants in the Savings and Loan cooperatives referred to in Section XIII of this Article). The amounts of loans deemed distributable remainder in the terms of this paragraph shall be subtracted from the distributable remainders distributed by the entity to its partners or participants.

#### Tax of entities[3]

If a distributable remainder as provided in the next preceding paragraph is determined, the entity concerned shall pay over as tax to its charge that determined by applying thereto the maximum rate applicable to the excess over the lower limit established in tax tariff of Article 177 hereof, and said tax shall in such case be deemed final and be paid over on or before February of the year next following that in which any of the contingencies referred to in said paragraph occurs.

#### Foundations and others[1]

ARTICLE 96.- Foundations, associations of patrons, and other entities the purpose of which is to grant financial support to the activities of entities duly authorized hereunder to receive deductible donations may obtain deductible donations, provided, that they comply with the following requisites:

- I. That they apply the total amount of revenues to the purposes for which they were created.
- II. That on the occasion of their liquidation, they apply the total amount of their patrimony to entities authorized to receive deductible donations.

#### Requisites[2]

The requisites established in this Article shall be set forth as irrevocable in the charter of the entity concerned.

#### Deductible donations[1]

ARTICLE 97.- The entities that are not taxpayers, as referred to in Sections VI, X, XI and XII of Article 95 hereof, shall require to comply with the following in order to be considered institutions authorized to receive deductible donations in terms hereof:

#### Organization and operation

I. That they be organized and operate exclusively as entities engaging in any of the activities referred to in Sections VI, X, XI and XII of Article 95 hereof and that, as provided in such general rules as the Tax Administration Service shall issue for the purpose, they receive a substantial part of the revenues from funds furnished by the Federal Government, the States or municipalities, from donations, or from attainment of their corporate purposes. Entities in whose favor an authorization to receive donations deductible abroad in pursuance of international treaties has been issued shall require to comply with the foregoing and shall not receive excessive amounts of revenues from leases or as interest, dividend or royalties or from activities not related with their corporate purpose.

#### Purpose of the activity

II. That the activities they develop have as primary purpose the attainment of the purposes for which they were organized; provided, however, that they shall not be entitled to intervene in political campaigns or to become involved in activities of propaganda or intended to influence legislation.

Publication of an analysis or a research not of a proselyting nature, or provision of technical assistance to a governmental agency having made written request therefor shall not be deemed to influence legislation.

#### Destine of assets

III. That they destine their assets exclusively to purposes appropriate to that for which they were organized; provided, however, that they shall grant no benefit on the distributable remainder to any individual whatsoever or to their participant or partner individuals or entities except, in the case last mentioned, an entity of the nature referred to in this Article, or when the case be of remuneration for services actually received.

#### Liquidation

IV. That upon and by virtue of their liquidation, the total of their patrimony be applied to entities authorized to receive deductible donations.

#### Public information

V. That they maintain available to the general public throughout the period and in the terms established through rules of a general nature by the Tax Administration Service, the information relative to authorization to receive donations and that relative to their compliance of their tax obligations.

#### Charter of the entity[2]

The requisites referred to in Sections III and IV of this Article are to be established with standing as irrevocable in the charter of the entity concerned.

#### Administrative control[3]

Authorized donees are in all cases to comply with such requisites of administrative control as the Regulations hereof may establish for the purpose.

#### Granting of scholarships

ARTICLE 98.- Civil associations or societies organized in order to grant scholarships may obtain authorization to receive deductible donations, provided, that they comply with the following requisites:

- I. That said scholarships be granted for studies at institutions of learning possessing authorization or acknowledgment of official validity of studies pursuant to the General Education Act or, in cases of foreign institutions, they be acknowledged by the National Council of Science and Technology.
- II. That the scholarships be granted through competitions that are open to the general public and be assigned with basis on objective data related with the academic capability of the candidate.
- III. That they comply with the requisites of Sections II, III, IV and V and with those of the penultimate and final paragraphs of Article 97 hereof.

#### Programs of school enterprise[1]

ARTICLE 99.- Programs of school enterprise established by institutions possessing authorization of the tax authority shall be taxpayers of this tax, and the institution establishing the program shall be jointly liable therefor.

#### Required authorization[2]

Said programs may obtain authorization to incorporate as independent entities and shall in such case consider the occasion of obtention of said authorization as that of initiation of their activities.

#### Provisional payments[3]

The Tax Administration Service shall establish, through rules of a general nature, the formal obligations and the manner of making of provisional payments, so long as said enterprises are considered within the programs of school enterprise.

#### Obtention of deductible donations[4]

The programs of school enterprise referred to in this Article may obtain authorization to receive donations that will be deductible from Income Tax, provided, that they comply with the requisites referred to in Sections II, III, IV and V and in the penultimate and last paragraphs of Article 97 hereof.

#### Variable-yield investment companies [1]

Article 100. Variable-yield investment companies distributing dividends obtained from other companies shall keep an account of net dividends for purposes of Articles 93 and 104 hereof.



Net dividend account[2]

The account referred to in this Article shall consist of the dividends received from other entities residing in Mexico and shall be decreased by the amount of dividends paid from said account to its participants. Neither dividends in shares nor those reinvested in subscription or increases of capital stock of the same person distributing them, in the term of thirty days next following distribution thereof, shall be included for purposes of this Article. The balance of the account provided for in this Article shall be updated in terms of Article 88 hereof.

Sundry obligations[1]

ARTICLE 101.- The entities referred to in this Title shall have the following obligations in addition to those established in other Articles hereof:

Accounting

I. To keep the accounting systems pursuant to the Federal Tax Code, the Regulations thereof and the Regulations hereof, and to make therein entries of their transactions.

Documents evidencing sales

II. To issue documents complying with the requisites established in the applicable fiscal provisions, in evidence of the alienations they make, the services they render, or their grant of temporary use or advantage of assets, and to keep copies thereof available to the tax authorities.

Annual return

III. To file at an authorized office not later than February 15th of every year a return showing the distributable remainder and the proportion thereof corresponding to each participant.

Evidence to participants

IV. To furnish to their participants, not later than February 15th of the next following year, evidences indicating the amount of such remainder as may be distributable.

Withholding of taxes

V. To issue the evidences and furnish the information referred to in Sections III and VIII of Article 86 hereof; to withhold and pay over the tax due by third parties and to require documents complying with the fiscal requisites, when they make payments to third parties and are obligated thereto hereunder. When they make payments which are also revenues pursuant to Chapter I of Title IV hereof, they shall also comply with the obligation referred to in Article 118.

Additional information on yearly return

VI. File the following information on or before 15 February of each year:

a) On all persons having withheld Income Tax from them in the next preceding calendar year, and on all foreign residents to whom they have made payments as provided in Title V hereof.

b) On all persons to whom they have made donations in the next preceding calendar year.

(2) Accounting on electronic means

When the entity concerned keeps its accounting through a system of electronic registers, the information referred to in the preceding Subsections shall be furnished on magnetic devices processed in the terms established through general rules by the Tax Administration Service. The tax authorities shall return said devices to the taxpayer, in the term of six months next following their filing. The entities referred to in this Title which keep their accounting through manual or mechanized systems and those whose computing equipment cannot process said devices in the terms so established by the Ministry, shall furnish such information on the forms approved for the purpose by the latter.

(3) Other information

The information on amounts withheld and persons from whom they were withheld on the returns referred to in Section V of Article 118 and the final paragraph of Article 143 hereof shall also be furnished on magnetic devices processed as indicated in the next preceding paragraph.

Unions of workmen [2]

Unions and organizations in which they are grouped are relieved from compliance of the obligations provided in Sections I and II of this Article, except for those activities which if performed by another person would be covered by Article 16 of the Federal Tax Code. Persons indicated in Article 95 thereof and not determining distributable remainder are relieved from compliance of the obligations established in Sections III and IV of this Article.

Annual return[3]

The persons referred to in Sections V through XIX of Article 95 hereof and the investment companies referred to in this Title shall file an annual return on or before February 15 of each year reporting to the tax authorities all revenues obtained and all disbursements made.

Dissolution of entities[4]

When an entity included in this Title is dissolved, the obligations referred to in Section III and IV of this Article shall be complied with in the term of three months subsequent thereto.

Entities under no obligation[5]

The civil associations referred to in Article 95 hereof which do not alienate assets, have no employees and render services only to their associates shall be under no obligation whatsoever.

Simplified accounting[6]

The associations referred to in the next preceding paragraph which have a maximum of five employees and do not alienate assets shall be entitled to keep simplified accounting registers.

Political parties[1]

ARTICLE 102.- Legally acknowledged political parties and associations shall only be obligated to withhold and pay over the tax and require documents complying with fiscal requisites, when they make payments to third parties and are obliged so to proceed in terms hereof.

Federal Government, States and Municipalities[2]

The sole obligation of the Federal Government, the States, the Municipalities, and those institutions which are obligated by law to deliver to the Federal Government the full amount of their operating balances shall be that referred to in the first paragraph of this Article.

Decentralized agencies[3]

Decentralized agencies who do not pay tax pursuant to Title II hereof shall only be under the obligations referred to in this Article and those established in the two final paragraphs of Article 95 hereof.

Debt-instrument investment companies[1]

Article 103. The debt-instrument investment companies referred to in the Investment Companies Act shall not pay Income Tax, and their members or shareholders shall accrue as taxable the interest revenue derived in their favor by such companies.

Accrued interest[2]

Interest revenue accrued as taxable as referred to in the next preceding paragraph shall be in real terms for individuals and in nominal terms for entities, and shall be so accrued in the fiscal year in which they are earned by the applicable company, in the amount thereof applicable to each individual or entity in accordance with the amount invested.

Interest in favor of shareholders[3]

Interest earned by shareholders of debt-instrument investment companies shall be the sum of the profits on alienation of the shares and the increase of value of the investments thereof as of the last business day of the fiscal year, in real terms for individuals and in nominal terms for entities. Both such items shall be determined as provided in Article 104 hereof.

Entities in investment companies[4]

Entity members of such companies shall observe the provisions of Chapter III of Title II hereof in respect of their investments therein.

Tax withheld[5]

The investment companies referred to in the first paragraph of this Article shall pay the tax established in Article 58 hereof due by their members or shareholders, on or before the 17th of each month next following that in which interest is earned. Payers of interest to such companies are relieved from the obligation to withhold established in said Article.

#### Monthly tax[6]

The monthly tax referred to in the next preceding paragraph shall be the sum of the daily taxes applicable to the taxable investment portfolio of the investment company, computed as follows: the tax on instruments the yield of which is paid in full upon maturity, as the product of multiplication of the number of taxed instruments of each nature by their weighted acquisition cost multiplied by the rate established in Article 58 hereof, while that of all other instruments referred to in Article 9 hereof shall be the product of multiplication of the number of taxed instruments of each nature by the par value thereof, multiplied by said rate.

#### Tax credit by entities[7]

The tax paid by investment companies as provided in the next preceding paragraph may be applied as credit to the provisional or final payments of members or shareholders thereof who are taxpayers under Title II or Title IV hereof and accrue the taxable interest from their investments in said companies with their other taxable revenues for the fiscal year.

#### Computation of the tax credit[8]

To determine the amount withheld which may be applied as credit by each member or shareholder, debt-instrument investment companies shall divide the tax due on their earned interest which is taxed daily, by the number of shares in circulation of the end of each day. The amount of the daily tax per share shall be multiplied by the number of shares held as of the end of each day. The amount of tax so applicable as credit shall be set forth on the statement of account, record, ticket or notice of liquidation issued for the purpose.

#### Variable-yield investment companies[9]

The variable-yield investment companies referred to in the Investment Companies Act shall not pay Income Tax. Their members or shareholders shall apply the respective regimes applicable to the complements of interest, dividends and profit on alienation of shares as provided in this and other applicable Articles hereof.

#### Individual shareholders[10]

Individuals who are members of the companies referred to in the next preceding paragraph shall only accrue as taxable the real taxable interest earned in their favor as proceeding from the debt instruments contained in said companies' portfolios, in accordance with the investment therein of each of its members.

#### Computation of interest by individuals[11]

The part corresponding to real interest of the daily revenue earned by shareholder individuals shall be computed by multiplying the revenue determined as provided in Article 104 hereof by the quotient of division of the tax interest accrued daily by the investment company by its aggregate daily revenue during the period of holding of the shares. A valuation of the shares held in the company's portfolio as of the date of alienation of a share issued by it or as of the last business day of the fiscal year, as applicable, shall be included in such aggregate revenue.

#### Computation of interest by entities[12]

Entity members or shareholders of variable-yield investment companies shall determine the interest accrued in their favor from their investments therein by adding the profits obtained from alienation of the shares and the increase in value of the investments in such companies as of the last business day of the fiscal year, in nominal terms. The revenues of both types shall be determined as provided in Article 104 hereof, and such entities shall observe the provisions of Chapter III of Title II hereof as to their investments in such companies.

#### Tax withholding[13]

Variable-yield investment companies shall withhold the tax on aggregate interest earned established in Article 58 hereof and shall pay it over on or before the 17th of each month next following that on which it is earned, and shall observe the provisions of the sixth paragraph of this Article. The amount withheld from each shareholder shall be determined as provided in the eighth paragraph of this Article and may be applied as credit to the provisional or final payments of members or shareholders thereof who are taxpayers under Title II or Title IV hereof and accrue the taxable interest from their investments in said companies with their other taxable revenues for the fiscal year. Payers of interest to said companies shall be relieved from the obligation to withhold referred to in Article 58 hereof.

#### Deduction of losses[14]

Members or shareholders of the investment companies referred to in this Article and Article 104 hereof, who are individuals may deduct the loss, if any, determined pursuant to the fifth paragraph of Article 159 hereof, in the terms of said provision.

#### Taxable interest and profit on sale of shares[1]

Article 104. Members or shareholders of debt-instrument or variable-yield investment companies who are individuals shall accrue as taxable in the fiscal year the revenues from the taxable instruments included in the portfolios thereof, in accordance with Article 103 hereof. Such revenue shall be computed by the operators, distributors or managers (as applicable) of said companies. The following, instead of the provisions of Article 24 hereof, shall be applied to determine the part of the revenue applicable to profit on the sale of shares issued by the company:

I. The number of shares alienated shall be multiplied by the difference between the sales price and the weighted average acquisition cost thereof upon alienation, computed as provided in this Article and updated as of said date.

II. The weighted average acquisition cost of the company' shares shall be computed as follows:

a) The initial weighted average cost thereof shall be the unit price of the first purchase of shares by the investor. If the investor holds shares acquired prior to 1 January 2003, the price thereof registered on the last business day of fiscal year 2002 shall be the initial weighted average cost.

b) Upon the first purchase of the shares of said company subsequent to that giving rise to the initial cost defined in the next preceding subsection, the weighted average cost of the shares of said investment company shall be recomputed as follows:

1. The number of shares included in the initial weighted average cost shall be multiplied by said cost, and the product shall be added to that determined by multiplying the number of shares acquired by the purchase price thereof.

2. The result of the next preceding number shall be divided by the total number of shares of the investment company held by the shareholder on the occasion of this computation.

c) Changes in such weighted average cost resulting from subsequent acquisitions shall be determined by adding the aggregate value of the new purchase of shares to that of the pre-existing portfolio and dividing the result by the total number of shares of the investment company held by the shareholder on the occasion of this computation. It For said purpose, the value of the pre-existing portfolio shall be understood to be the product of multiplication of the total number of shares thereof held by the shareholder prior to the new purchase, by the updated weighted average acquisition cost thereof.

d) When the last acquisition or shares has taken place in a previous fiscal year, the weighted average acquisition cost for the above computation shall be the price current on the last business day of the next preceding fiscal year.

III. The updated weighted average acquisition cost shall be computed with the factor referred to in the third paragraph of Article 159 hereof, computed for the period from the date of registration of the price applied for determination of the initial weighted average cost through the date of the next purchase of shares of the same company. Said updating shall be performed successively from the date last mentioned to that of the next acquisition of shares or that of alienation thereof.

Real increase of share value[2]

The part of the revenue corresponding to a real increase in the value of shares held and not alienated as of the end of the fiscal year shall be determined by multiplying the total number of shares held as such end by the difference between the share price as of the last business day of the fiscal year and the updated weighted average acquisition cost thereof, computed pursuant to this Article.

Loss of investment[3]

When an investor individual determines that the sum of the real profit from alienation of his shares of the company in the fiscal year and the real increase of value of his non-alienated shares as of the last business day thereof is a negative amount, said amount shall be such individual's loss from his investment in said company.

Profit on alienation of shares[4]

The real taxable interest earned, the profit on alienation of shares and the increase of the real value of shares held as of the end of the fiscal year by a variable-yield investment company shall be determined as provided for debt-instrument investment companies, but

only with regard to the proportion of its aggregate revenues during the period for which shares were held by the taxpaying shareholder or member, represented by its dividend revenue and taxable interest during said period.

#### Rules for computation of interest[5]

Through the Regulations hereof, the Ministry of Finance and Public Credit may issue rules simplifying the determination of taxable interest by members of variable-yield investment companies, with basis on a formula whereby the aggregate revenues of such companies are prorated to taxable interest earned from debt instruments and profits from Income tax-exempt shares during the period of holding of its shares. It may also establish thereunder a prorating mechanism to simplify the computation of taxable interest by debt-instrument investment companies the portfolios of which also contain tax-exempt instruments.

#### Accrual of real interest as taxable[6]

In addition to accruing as taxable the interest obtained by investment companies which is taxable under this Article, individuals may elect to accrue as taxable with their other revenues in the fiscal year such real interest earned but not collected by said companies as corresponds to them in accordance with their investment, and to apply the tax (including that referred to in the penultimate paragraph of said Article) as credit in the terms of Article 103 hereof. Persons applying the option to which this paragraph refers shall not be obligated to accrue as taxable the profit on alienation of shares; upon exercise of said option, it shall not be changed and shall be applied to all operations performed.

#### Evidence to clients[1]

ARTICLE 105.- The debt-investment investment companies and the variable-yield investment companies referred to in Article 103 and 104 hereof, acting through their operators, managers or distributors, as the case may require, shall furnish on or before 16 February of each year to their participants or shareholders and to all financial intermediaries having custody and administration of such investments, records setting forth the following information:

- I. The amounts of nominal and of real interest accrued by the company in favor of each shareholder during the fiscal year.
- II. The amounts withheld which such participant or shareholder is entitled to apply as credit, in the terms of Article 103 hereof, or, as the case may warrant, the amount of loss which said participant or shareholder is entitled to deduct in the terms of Article 104 hereof.

#### Information to the Administration Service[2]

The investment companies referred to in this Article shall report to the Tax Administration Service, on or before 15 February of each year, through their operators, managers or distributors (as applicable), the data set forth in such evidences, and also the average monthly balance invested therein in each month of the fiscal year by each person to whom they were issued, and all other information established in the form issued for said purpose by said Service. Said companies shall be jointly liable for any tax unpaid by their respective members or shareholders when the information set forth in such evidences is incorrect or incomplete.

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