

Inter-American Center of Tax Administrations – CIAT

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**THE ROLE OF TAX ADMINISTRATIONS IN TAX LEGISLATION.
CONTROL AS KEY MANAGEMENT FUNCTION**

Topic 1.1

**FORMS OF PARTICIPATION OF THE TAX ADMINISTRATION IN THE
DEVELOPMENT OF PROPOSED TAX LAWS.
THE PERSPECTIVE OF THE TAX LEGISLATOR.**

MEXICO

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**TOPIC 1.1 FORMS OF PARTICIPATION OF THE TAX ADMINISTRATION IN
THE DEVELOPMENT OF PROPOSED TAX LAWS. THE
PERSPECTIVE OF THE TAX LEGISLATOR**

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I. INTRODUCTION

In the case of Mexico, the ways in which the Secretariat of Treasury and Public Credit (Secretaría de Hacienda y Crédito Público - SHCP) has participated in the development of legislative proposals is explained, necessarily, from the framework that the Political Constitution of the United States of Mexico has established for the interaction between the Executive and Legislative Powers and, in tax matters, between the different levels of government: federal, state and municipal.

The previous relations were influenced by the government system where the party of the Executive occupied the majority of the Houses within the Congress of the Union. By such virtue, the creation and drafting of tax law proposals has mainly been the responsibility of the Executive Power, through the SHCP, same that were previously approved by the Legislative Power without any latter modifications.

However, the alternation in the Presidency of the Republic, and the lack of majority in the Congress Houses, have resulted in a critical and active participation by the Legislative Power in the design of tax laws that, in many cases, derived from the constitutional process established for the formation of laws, has resulted in standards that do not solve the real problems of the country and that condition the efficacy of the same.

The situation described above, combined with a centralist tax model that has generated a high dependence by the state and municipal governments on the federal government's revenues, made promoting structural reforms at all levels an imminent need.

This is how the initiative to convoke the First National Treasury Convention (First National Treasury Convention (Primera Convención Nacional Hacendaria) is born, involving a republican, democratic and participative meeting so that representatives

of all government agencies and levels, listening to the civil society, promote a more dynamic and fair economic development through the definition of responsibilities in public resources matters, that is to say, their generation, legislation, administration and application.

In this order of ideas, the development of legislative proposals in Mexico, has been enriched by the Convention, by bringing closer the relation between the Executive and Legislative Powers.

II. STRUCTURE OF THE MEXICAN STATE: LEGAL FRAMEWORK

The Political Constitution of the United States of Mexico, is the axis of our juridical system, it structures the State by defining the fundamental mission of the same and the main public policy lines, aimed at providing attention to the main needs of the population and promoting the development of the country, from an adequate balance of the action of the governmental, social and private sectors.

Said Constitution, not only outlines the ambits in which the State must act, but sets the limits that mark the boundaries of its action in the pursuit of their assignments, same it must observe respecting the freedom and autonomy spaces that the very Constitution establishes both for individuals and the civil society at large.

In this sense, the Federal Constitution establishes the basis of the National Sovereignty and the way in which the government of the Mexican Republic, which is constituted and organized by the will of the people, in a representative, democratic and federal manner, made up by the Free and Sovereign States in all that respect to their interior regime, in their capacity as integral parts of the Federation.

Likewise, the States adopt for their interior regime, the form of a republican, representative and popular government, having as basis for their territorial division and their political and administrative organization, the Free Municipality.

In what respect to the organization of the Federal Power, it is established that the Supreme Power of the Federation is divided, for its exercise, into Legislative, Executive and Judiciary Powers.

The Legislative Power, is deposited on a General Congress divided into two Houses, one for representatives and another one for senators.

The exercise of the Executive Power, is deposited on a single individual called President of the United States of Mexico.

In turn, the exercise of the Judiciary Power of the Federation, is deposited on a Supreme Court of Justice, in Collegiate and Single Judge Circuit Tribunals and in District Courts.

In this manner, the Powers of the Union and those of the Federative Entities themselves act within the terms established by our Superior Law, following the

general principle that the powers that are not expressly granted by said Supreme Law to federal servants, are understood as reserved to the States.

Now then, the power of each one of the Powers are expressly established in the Constitution, however, beyond each constitutional body or power having a function, each one of them has a set of competences to participate in or to fulfill in the fulfillment of specific functions.

Thus, for example, the right to start laws competes to: (i) the President of the Republic; (ii) the representatives and senators in the Union Congress; and (iii) the legislatures of the States whose presentation, discussion and approval procedure is regulated by the very fundamental law.

In the Mexican juridical-tax system, the power is translated into the exercise of the State's tax power, which arises when the State, acting with sovereignty, determines what the facts are or situations that, when they take place, will make private citizens find themselves in the obligation of making the payment of the contributions.

On the other hand, complementing the exercise carried out by the Legislative Power on tax matters, it corresponds to the Executive Power, in its capacity of Tax Administration, to determine or verify when the facts or situations that generate the obligation of paying contributions have taken place; point out or determine the amount of the payments, or rather, verify if the services or payments made are pursuant to the Law.

Being this the state of affairs, in our country the tax power is exercised by Legislative Power, in federal matters, and by the Legislative Powers of the States, in local and municipal matters, when they issue the laws for each contribution and, every year, they indicate in the Revenue Laws, both federal and state, which of those contributions will be in force.

In this order of ideas, the Federation has:

1. An unlimited general power to impose the contributions necessary to cover the budget,
2. An express power to establish contributions in specific matters, and
3. Implicit powers derived from the prohibitions established in the Constitution for the States.

In turn, the States count with:

- a) Generic powers derived from the obligation of all Mexicans of contributing to the public expenditure of the Federation, of the Federal District or of the State and Municipality where they reside, as well as due to the fact that the States are "free and sovereign in everything concerning their interior regime";
- b) Powers conditioned to the authorization by the Congress of the Union, to establish port duties and to impose duties on imports or exports.

Notwithstanding the foregoing, the Constitution itself sets limits to that tax power of the States establishing diverse prohibitions.

Therefore, with basis on what is provided in the Fundamental Law, it may be concluded that the legislative powers in tax matters are divided in the following manner:

- Unlimited concurrent powers of the Federation.
- Exclusive powers of the Federation granted in an express manner.
- Federation powers granted as prohibition or limitation to the States.
- Concurrent powers of the States limited by the constitutional prohibitions and reserves in favor of the Federation.

Now then, when the Legislative Power exercises the tax power, the House of Representatives has the exclusive power to annually examine, discuss and approve the Disbursements Budget of the Federation, first determining the contributions that must be decreed to cover it. To that end, it is necessary that the Executive Power, represented by the President of the Republic, complies with the obligation of sending to the House of Representatives the corresponding draft Law and initiative.

Now then, in the exercise of the attributions and for the execution of the federal administrative affairs entrusted to the Executive Power, the Organic Law of the Federal Public Administration establishes, among others, the State Secretariats, which exercise the functions of their competence by agreement from the President of the Republic and, also, elaborate the corresponding draft Laws, regulations, decrees and agreements.

Among the State Secretariats, we find the Secretariat of Treasury and Public Credit (Secretaría de Hacienda y Crédito Público - SHCP), in charge of studying and formulating the draft Laws and fiscal provisions, as well as of collecting federal taxes, improvements contributions, duties, proceeds and uses in the terms of the applicable Laws and monitor and ensure the compliance of the fiscal provisions.

At the head of the SHCP, we find the Secretary of the Bureau, who is originally in charge of the representation, management and resolution of the matters under the competence of the Secretariat.

In this sense, the Internal Regulations of the Office points out that, the Secretary has non-delegable powers, among which there are those of proposing to the Federal Executive the draft Laws and initiatives relating to the matters under their competence.

Likewise, the Federal Fiscal Code establishes that the collections coming from all the revenues of the Federation, will be done by the SHCP or by the offices authorized by said Secretariat.

From the above we infer that the taxation power is the competence of the Executive Power, which exercises it through the incumbent of the aforementioned Secretariat, through the management and collecting power.

In turn, to ease the affairs under its competence, the Secretary of Treasury is aided by public servants and Central Administrative Units.

Among the public servants, we find the Undersecretary of Revenues; one of his powers is to propose to the Secretary the draft Law and initiatives in matters of the competence of the administrative units assigned to his responsibility.

In this manner, among the Central Administrative Units that are assigned to the Undersecretary of Revenues, we have the Revenue Policy Unit (Unidad de Política de Ingresos - UPI) and the Tax Legislation Unit (Unidad de Legislación Tributaria - ULT).

Pursuant to the powers granted in the aforementioned Internal Regulations, the UPI is in charge of proposing the revenues policy including the fiscal policy, that of fiscal coordination and that of the fiscal incentives, so that the national economy develops congruently with the public treasury policy and the economic and social policy of the country.

To that end, it requires to coordinate with other competent administrative units of the same Secretariat, of the Tax Administration Service (Servicio de Administración Tributaria - SAT), with other offices and entities of the Federal Public Administration and, if the case may be, with the federative entities and municipalities.

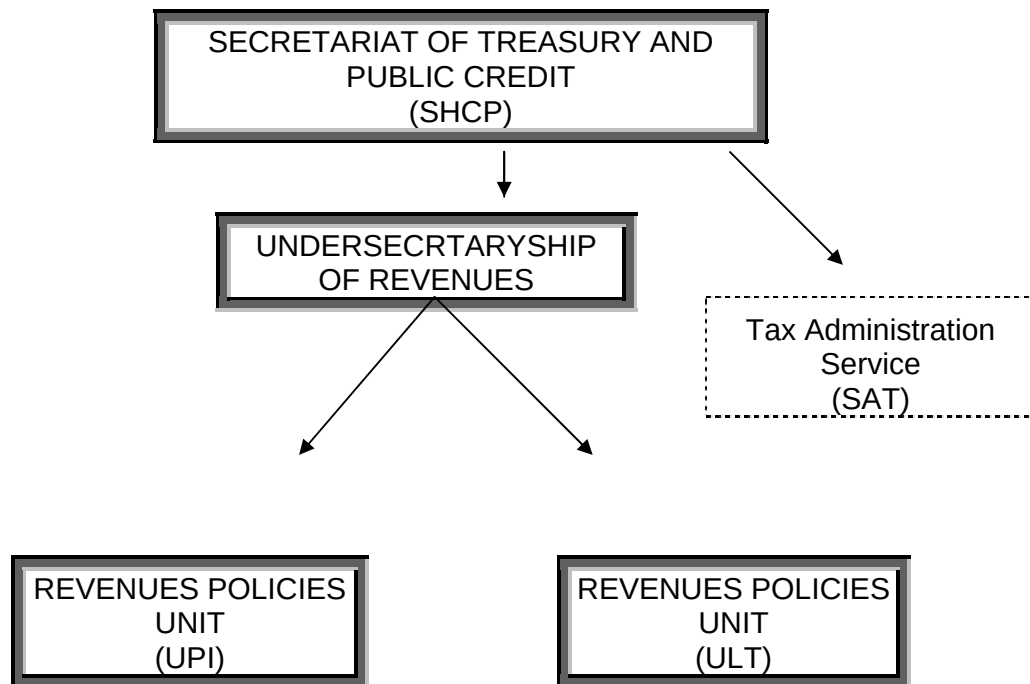
Likewise, it evaluates the collections effect of the proposed reforms in fiscal matters.

In turn, the ULT is the Administrative Unit that has the power to formulate and present for approval, the draft Laws and initiatives and other provisions in fiscal and customs matters; to that end it takes into consideration the determination of the administrative unit responsible for establishing the federal revenues policy, the proposals of the areas that carry out the tax operation, as well as the suggestions of the taxpayers.

Likewise, it becomes appraised of the problems and proposals expressed by the offices and entities of the federal public administration, and by the diverse social groups or sectors, and use them to propose the measures that must be taken with relation to the treatment to taxpayers' sectors and to diverse social groups, in what respects to contributions and the compliance with their fiscal and customs obligations.

In a like manner, it participates in a joint fashion in work groups with the competent administrative units of the Secretariat, of the SAT and of other offices of the Federal Public Administration.

In this order of ideas, the structure of the areas that participate in the design of the Laws in federal fiscal matters is as follows:



From all the above, we may conclude that the assignment of tax powers for each government order is carried out in conformity with what is established in the Magna Charta. The same defines, among others, the government instances in which the country is organized, its tax fields, the division of powers, the administrative responsibilities of each government instance or sphere, their attributions and limitations, as well as the obligations of the citizens.

Likewise, that based on the Constitution, Supreme Law that establishes and limits the action of the bodies of the Mexican State, the Tax Power is exercised by the Legislative Power at the Federal and State level, under the general principle that the powers that are not expressly granted by the Constitution to the federal servants, are understood as reserved to the States.

Lastly, that the taxation power is competence of the Executive Power, which exercises it through the Secretariat of Treasury and Public Credit, in a management and collection power; also, that it is the one responsible for elaborating the draft Law and initiatives and other provisions in fiscal and customs matters, which will be presented before the Congress of the Union.

III. INTERACTION OF THE EXECUTIVE POWER (SHCP) AND THE LEGISLATIVE POWER: TAX LEGISLATOR

The relationship between the Legislative and Executive powers, must be analyzed under the perspective of the division of powers and the presidential government system established by the Constitution.

However, said analysis cannot be analyzed only from the existing formal relations between the Congress of the Union and the presidential institution in the light of the Constitution, as was done in the section above, but we must take into account other elements that have influenced and that have a bearing on the acts of the incumbents of the aforementioned bodies, even in the very institutional design of the State.

Understanding and explaining the current relations between both powers obliges us, necessarily, to make a revision of its evolutionary process.

In the case of Mexico, the relations subject to the condition of the absolute majority the President's party had in the Houses of the Congress of the Union.

The above situation, in the light of the legislative process, is reflected in the eighties and nineties, where the Executive Power presented 720 Law initiatives, of which 686 were approved.

Being thus the state of affairs, the influence of the Executive Power affecting the sphere of the Legislative Power, was explained due to:

1. The presence of a single party;
2. The leadership of said party resided on the President of the Republic in office and not on the parliamentary groups;
3. The concentration of economic resources in the Federation, especially in the Executive.

With relation to the tax environment, this situation has been a similar one, reason why in what respects to taxes, the relations between these two Powers, makes evident the constant invasion of the field of competence by the Executive towards the Legislative.

Even when the function of the legislators is to develop and approve standards that record and give juridical basis to political initiatives of diverse character, among those the ones of a tax nature, in the case of Mexico said fiscal Law development and creation function has been carried out mainly by the Executive Power.

As was mentioned previously, even though the Legislative Power (through each one of the Houses that make up the Congress), as well as the Executive have the Constitutional power to start Laws, in the case of the fiscal Laws, the corresponding drafts are elaborated by the SHCP, to be presented by the Executive Power before the House of Representatives.

In the process for the elaboration of proposals, it is important the participation of the Tax Administration Service (Servicio de Administración Tributaria - SAT), Decentralized Body of the SHCP, that has a fiscal authority nature, with attributions and powers linked to the determination and collection of the federal contributions and other concepts destined to covering the public expenditure.

The above, by virtue of that through the interaction between the fiscal authorities, the adequate interpretation and application of the fiscal and customs legislation is achieved, to propose measures for the quick and swift administration of justice in tax matters.

To carry out the presentation of the draft Laws in fiscal and customs matters, study and analysis meetings are organized with the participation of high-level officers of the Administrative Units of the Undersecretary of Revenues and those of the standardizing and operational areas of the SAT, who alternate their knowledge acquired through different sources, which allows them to see with more technicality and reality the changes that must be carried out on said legislation.

As an example of the foregoing, the participation of the Taxpayer Assistance area is important, because by being the initial contact point in any proceeding carried out at the SAT, communications channels are created between the taxpayers and the fiscal authorities, by concentrating the concerns and complications that the different sectors of taxpayers face in the application of the fiscal Laws, same that on occasions, translate into proposals for their modification and guaranteeing in this manner the correct exercise of the rights of said taxpayers, facilitating the voluntary and timely compliance of their fiscal obligations and, above all, provide them with juridical security.

The foregoing is by virtue that when the Congress of the Union annually approves the modifications proposed by the Executive to the fiscal Laws, the Incumbent of the Taxpayer Assistance Administration and its work team, is responsible for providing the guidance and attention of processes in tax matters, as well as disseminating said Laws at the national level, both for the knowledge of and application by the taxpayers and of their different sectors, as for the updating of the operative areas.

Likewise, it is fundamental the intervention of said operative areas of the SAT, in charge of applying the fiscal and customs legislation, because through its supervisory, collections actions and of defense of the fiscal interest, apart from promoting and facilitating voluntary and timely compliance of tax obligations, its action generates the information necessary for the design and evaluation of the tax policy, as well as of the changes that become necessary in said legislation.

In this order of ideas, the Tax Legislation Unit with the collaboration of the Revenues Policy Unit, are in charge of the elaboration of the different fiscal draft Laws initiatives based on diverse sources, among which we find:

- a) The juridical study and analysis of the authorizations and consultations on real and concrete situations is presented by the taxpayers to the SAT, with the purpose of receiving guidance on the way the Law must be complied with, when the same is not clear or, because the wording gives rise to diverse interpretations.

The corresponding resolutions have a double result, they allow the taxpayer to act within the framework of legality, thus avoiding the vices that could be derived from its specific operation, and for the fiscal authority, the same result in a valuable source to present their proposals for modifying the Laws.

- b)** The experience of the SAT in the exercise of its powers as a decentralized body of the SHCP, in charge of carrying out the collections and monitoring the taxpayers applying the fiscal and customs legislation;
- c)** The study and analysis of the diverse proposals that private organizations present through their Councils, as well as from the diverse taxpayer sectors that compose the productive plant of the country, on their statements and solutions to the fiscal problems that affect them.
- d)** Resolutions, both administrative and judicial, issued by the Administrative Fiscal Tribunal and those of the Judiciary Power, by reason that they set the criteria for the due observance and application of the ordinary provisions, when deliberating on the true sense and scope of the legality of the administrative acts. Likewise, in the judiciary ambit, the Supreme Court of Justice of the Nation, as ultimate interpreter of the Constitution, decides on the constitutionality or unconstitutionality of the juridical standards.
- e)** The National Treasury Convention, as an extraordinary source and of recent creation, same that will be analyzed later on.

Once the draft Law initiative in fiscal or customs matters is integrated, the same is sent to the Juridical Office of the Federal Executive for its revision and presentation before the House of Representatives.

In the Mexican case, the true tax legislator has been the Executive Power, who has been in charge of elaborating the tax standards taking into account the circumstances that condition the effective execution of the same, while the Legislative complied with the formal approval procedure established by the Constitution itself.

In effect, the Fundamental Law establishes the obligation of the Executive of presenting the initiative relating to public expenditures and revenues; however, in conformity with the terms established in the Constitution, the time to discuss a matter of fundamentally transcendental for the Mexican State, as are the resources to cover its development needs, was just one month.

This tax legislation creation and approval mechanism in the framework of a Mexico, whose President and majority in the Congress of the la Union belonged to a same party, did not mean major problems, given that, as was previously mentioned, the Law initiatives presented by the Executive were almost all approved, by the Congress of the Union.

At the beginnings of the first plural government of Mexico, whose President rose from a coalition of parties that did not achieve absolute nor relative majority in the respective Houses of the Congress of the Union, the political and sociological scenario, basis for the State's institutional relations, is another one.

Thus, in matter of Law initiatives, the Executive presented 23 during the first year in Office, of which only 10 were approved by the Congress of the Union.

This situation is seen in the following table:

Initiatives presented by the Executive and approved by the different legislatures

	Legislatures	Presented	Approved
Before the Alternation	1982-1985	155	151
	1985-1988	188	186
	1988-1991	71	70
	1991-1994	91	90
	1994-1997	135	133
	1997 - XII/3/98	38	30
After the Alternation	2000 - XI/30/01	42	26
	XII/01/01 – IX 2003	23	10

In this manner, with a divided and highly politicized Congress, the Legislative no longer limits itself to complying with a formal approval procedure, but also actively participates in the design and elaboration of the fiscal Laws suggesting modifications that are introduced to the initiative elaborated by the SHCP, reason for which it assumes the role of tax legislator.

Notwithstanding, due to the limited period for carrying out an analysis with respect to the implications of such modifications, changes made in diverse concepts of the initiative presented by the Executive, afforded the opportunity to a lack of correspondence between the State's expenditures and its revenues to cover them, generating only adjustments between both concepts without this meaning that the fiscal Laws and the resulting budget responded to the real needs of the country.

That is why the Constitution was recently reformed with relation to the period for the presentation, discussion and approval of the package related to revenues and expenditures.

In this order of ideas, the Executive can no longer decide in a discretionary manner the composition of the fiscal provisions, by virtue that the Legislative Power is assuming and exercising its powers, it participates in the design of the same and assumes the role of tax legislator.

In spite of the above, Mexico maintains a political regime that is essentially centralized that has derived in:

- ❖ A system that has concentrated the political dynamics and the resources on the Federal Powers.
- ❖ Economic dependence of the local governments on the resources managed by the Federation. The current fiscal federalism scheme causes the majority of the

Federative Entities to depend for their expenditure on the federal resources, with a similar behavior in the case of the Municipalities.

IV. TRANSFORMATION OF THE SCHEME OF RELATIONS OF THE EXECUTIVE POWER AND THE EL LEGISLATIVE POWER: NATIONAL TREASURY CONVENTION

As we have shown in the above paragraphs, the alternation in the Executive Federal Power and the absence of absolute majorities inside the Congress of the Union, had transformed the rules of government in Mexico, particularly in the tax ambit.

The foregoing took place, by reason of not having carried out the fiscal reform presented by the Federal Executive in 2001 and 2003, reason for which the State has been weakened; therefore, the necessary changes (opening, deregulation, privatization) instead of being competitiveness factors became mechanisms for greater inequality.

Under the perspective that necessarily a Treasury Reform is required that considers revenue, expenditure and debt, the administrative decentralization and collaboration, the harmonization of the federal, state and municipal treasury systems, and that even when the public treasuries of the Federative Entities and their Municipalities have benefited in the context of the Fiscal Coordination, this system is practically extinguished, reason for which its horizon must be expanded towards an integral coordination of revenues, expenditures and debt between the three government orders.

In a national scenario, characterized by a concentration of the treasury policy decisions, a tax model with limitations to generate fiscal resources required by the national development, as well as the dependence of the local governments on fiscal resources of the federal governments, the need to promote the necessary reforms to invigorate the national treasury system, within the framework of a renewed federalism, has become imminent.

In view of the above, the Federal Executive and the Governors of the Federative Entities, decided to convoke to the First National Treasury Convention (Primera Convención Nacional Hacendaria - CNH), with the incorporation into this process of the Municipalities, as well as of the Federal and State Legislators, with the purpose of promoting consensus on the challenges the country faces in public treasury matters, that is to say, everything related to the public resources: their generation, administration and application.

Intimately linked to these issues, we have the subject of federalism, which is occupied in defining the way to distribute responsibilities and resources among the three government levels: federal, state and municipal; in this way, the CNH involves a republican, democratic and participative gathering, to define the expenditure responsibilities, as of the basic needs in social and infrastructure matters in each one of said levels, and generate the necessary and sufficient resources within a new federalism.

Among the objectives of the CNH, it is convenient to highlight the following:

- ❖ To produce and disseminate a diagnosis of the current status of the federal state and municipal public treasury, that serves as the basis to generate a program of reforms with medium and long term vision.
- ❖ To achieve a new integral treasury federalism, which must include public revenues, expenditure, debt and patrimony, defining the expenditure responsibilities each government order must assume.
- ❖ To review the tax powers and propose who legislates, who administrates and collects, and who receives the fruits of the contributions.
- ❖ To review the juridical framework to generate a treasury chapter in the Constitution and a new Treasury Federalism Law, which provide certainty in the relations between the three orders of government.

To achieve these objectives, the Convention counts with an organizational structure designed to respond to the work process. As the one responsible for the logistics part there exists an Executive Directorate. Likewise, it counts with a decision body (Directive Council) chaired by the President of the Republic with the participation of representatives of the government bodies of the three levels, federal, state and municipal; their responsibility is to approve the proposals that will be translated into legislative initiatives.

Said Council supports itself on the methodological guidelines issued by the Technical Coordination, headed by the Secretary of Treasury and Public Credit, as well as other officials of the state and municipal levels. This Coordination is in charge of aiding in the development and harmonization of the final documents elaborated by the seven Analysis and Proposals Desks, submitting the executive proposals to the consideration and decision by the Directive Council.

The aforementioned Desks develop proposals based on specific topics, among which we have the one related to revenues; at this Desk, the Executive Power participates through the Secretary of Treasury, presenting strategies and actions to reconstitute tax powers to the local governments, Make national collections more efficient improving federal and state administrative collaboration, strengthen municipal finances, as well as to promote tax simplification.

Finally, such Desks appointed the Technical Commissions, which took charge of elaborating preliminary technical studies, which served as the basis to formulate the executive proposals.

The results of the Convention will translate into different types of proposals; on the one hand, those that, through an administrative or coordination process between the government orders, support the better performance of the public federal, state and municipal treasuries and, on the other hand, those that will require to be channeled as legislative initiatives before the Congress of the Union and the Local Legislatures, as may correspond.

Of the contents of the diagnosis, proposals presented and of the results of the whole process encompassed in the four phases of the First National Treasury Convention (Primera Convención Nacional Hacendaria), we may highlight because of its relation to this paper, the conclusion included in the Declaration to the Nation, in the sense that for the strengthening of the treasury federalism we must start a responsible decentralization of the fiscal policy and take advantage of the capacity to generate fiscal resources of the federative entities and of the municipalities, so that through own taxes, approved by their legislatures, the excessive dependence they have with the federal ambit is counteracted and they may be able to recover a greater financial autonomy.

To achieve the above, the recommendation is to explore the possibility of granting to the federative entities, the power to levy with a local tax, the sales and services to final consumption, reducing the general VAT rate, as well as to establish a state tax on certain revenues of the physical persons whose base would be homologated to the federal income tax and from which it would be deductible.

From all of the above, we may conclude that the CNH affects in a favorable manner in the transformation the relation between the Executive Power and the Legislative Power is undergoing, given that from the perspective of the former, the CNH constitutes an extraordinary and privileged source of information that may be taken into account in the elaboration of the different draft fiscal Laws initiatives.

In turn, for the Legislative, the CNH constitutes an adequate forum and process to actively participate in the discussion and design of the fiscal Laws, exercising its Constitutional power, likewise, it will be able to take into account the agreements and proposals derived from said Convention.

That is to say, the constitutional fiscal Laws elaboration process is not altered, it is enriched. The Executive continues maintaining the obligation of presenting the initiative on the matter before the House of Representatives in the terms established by the Constitution itself and, the Legislative, continues with its power to approve it or not.

In this order of ideas, we may conclude that in tax legislation creation matters, the scheme of relations between the Executive and the Legislative Power, has been transformed in a greater closeness and cooperation.

V. CONCLUSIONS

The Political Constitution of the United States of Mexico, establishes the competences and powers of the Powers of the Union and the bodies of the three levels of government: federal, state and municipal, following the principle that the powers that are not expressly granted by said Supreme Law to the federal servants, are understood as reserved to the States.

In the Mexican juridical-tax system, the powers are translated into the exercise of the State's tax power, which is exercised by the Legislative Power in federal matters,

and by the Legislative Powers of the States in local and municipal matters, with the existence of a National Fiscal Coordination System that has caused the majority of the Federative Entities depend for their expenditures on federal resources, with a similar behavior in the case of the Municipalities.

In the case of Mexico, the function of the creation and development of the fiscal Laws has been mainly performed by the Executive Power, as a result of the absolute majority the President's party had in both Houses. The Legislative Power was limited to complying with a formal approval procedure established by the very Constitution.

The incumbent of the Executive is no longer the head of the governing political party and with a divided Congress, without absolute majorities, can no longer decide in a discretionary manner the composition of the fiscal provisions, by virtue that the Legislative is assuming and exercising its powers, participating in the design of the same, assuming the role of Tax legislator.

The First National Treasury Convention (Primera Convención Nacional Hacendaria - CNH), has represented a fundamental space for the strengthening of our democratic life, which supported on a responsible mature and purposeful dialogue, achieves consensus and agreements to promote competitiveness, economic growth, social justice, balance in regional development, macroeconomic stability and the solidity of public finances of the three orders of government, determining the tax powers with relation to the competence to legislate, collect, administrate or receive resources from each tax, establishing the concurrent and exclusive powers.

From all of the above, we may conclude that the CNH affects in a favorable manner, the transformation of the relation between the Executive Power and the Legislative Power, which is undergoing, considering that the same constitutes an extraordinary and privileged source of information that must be taken into account by the Executive in the elaboration of the different fiscal draft Laws initiatives. Likewise, the CNH constitutes an adequate forum and process for the Legislative to actively participate in the discussion and design of the fiscal Laws, exercising its Constitutional power.

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