27. Income taxes

The Entity is subject to ISR and through December 31, 2013, to ISR and IETU, therefore, the income tax payable was the higher between ISR and IETU through 2013.

ISR -The rate was 30% in 2014, 2013 and 2012 and as a result of the new 2014 ISR law ("2014 Tax Law"), the rate will continue at 30% thereafter. The Entity incurred ISR on a consolidated basis until 2013 with its Mexican subsidiaries. As a result of the 2014 Tax Law, the tax consolidation regime was eliminated, and the Entity and its subsidiaries have the obligation to pay the deferred income tax benefit calculated as of that date over a 10 year period beginning in 2014, as illustrated below.

While the 2014 Tax Law repealed the tax consolidation regime, an option was established, which allows groups of companies to determine a joint calculation of ISR (tax integration regime). The new regime allows groups of consolidated companies that share common direct or indirect ownership of more than 80%, certain benefits in the tax payment (when the group of companies include both profit and loss entities in the same period), which can be deferred over three years and reported, as updated, at the filing date of the tax declaration corresponding to the tax year following the completion of the aforementioned three-year period.

The Entity and its subsidiaries opted to join the new scheme, so determined income tax for 2014 together.

Pursuant to transitory article 9, section XV, subsection d) of the 2014 Law, given that as of December 31, 2013 the Entity was considered to be a holding entity and was subject to the payment scheme contained in Article 4, Section VI of the transitory provisions of the ISR law published in the Federal Official Gazette on December 7, 2009, or article 70-A of the ISR law of 2013 which was repealed, it must continue to pay the tax that it deferred under the tax consolidation scheme in 2007 and previous years based on the aforementioned provisions, until such payment is concluded.

IETU - IETU was eliminated as of 2014; therefore, up to December 31, 2013, this tax was incurred both on revenues and deductions and certain tax credits based on cash flows from each year. The rate was 17.5%.

As of 2008, the Asset Tax Law (LIMPAC) was eliminated, but under certain the amount of this tax paid in the 10 years immediately prior to that in which ISR is first paid may be recovered in accordance with applicable tax provisions. Furthermore, unlike ISR, until 2013, IETU was incurred on an individual basis by the holding company and its subsidiaries.

a. Income taxes (benefit) expenses are as follows:

		2014		2013
ISR:				
Current	$	3,466,055	$	4,045,888
Deferred		(792,386)		(324,180)
	$	2,673,669	$	3,721,708

b. Following is an analysis of the deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

		2014		2013
ISR deferred (asset) liability:				
Property, machinery and equipment	$	1,813,516	$	1,816,811
Inventories		(265,077)		(57,502)
Accounts receivable from installment sales		–		546,039
Advances from customers		(305,217)		(440,750)
Natural gas and metals swaps and forwards		(142,177)		(171,616)
Revenues and costs by percentage-of-completion method		150,881		352,819
Allowances for assets and reserves for liabilities		(768,605)		(900,933)
Other, net		(218,035)		(231,988)
Deferred ISR on temporary differences		265,286		912,880
Effect of tax loss carry-forwards		(694,431)		(618,209)
Deferred ISR payment (long-term CUFINRE)		20,318		19,974
		(408,827)		314,645
Total deferred tax asset		1,754,350		1,432,369
Total deferred income taxes liability	$	1,345,523	$	1,747,014

c. The movements of deferred tax liability during the year are as follows:

	2014	2013
Opening balance	$ 314,645	$ 663,583
ISR payable for combined inventory	–	(195,123)
Income tax applied to results	(792,386)	(129,057)
Recognized in other comprehensive income	68,914	19,236
Effect of consolidation and other items	–	(43,994)
Closing balance	$ (408,827)	$ 314,645

d. Following is a reconciliation of the statutory and effective ISR rates expressed as a percentage of income before taxes on income:

	2014 %	2013 %
Statutory rate	30	30
Add (deduct) the effect of permanent differences -		
Nondeductible expenses	2	–
Share in income of associated companies	(4)	(2)
Non-taxable gain on disposal of shares	–	(8)
Effective rate	28	20

e. Unused tax loss carryforwards of Grupo Carso, S.A.B. de C.V. and its subsidiaries for which a deferred income tax asset and an advanced income tax payment, respectively, have been recognized, may be recovered provided certain requirements are fulfilled. Their maturities and restated amounts at December 31, 2014 are as follows:

Year of expiration	Tax loss carryforwards
2017	$ 338
2018	103,711
2019	44,498
2020 and thereafter	1,897,923
	2,046,470
Tax loss carryforwards of foreign subsidiary without expiration term	242,618
Total	$ 2,289,088

f. Tax consolidation

The income tax liability at December 31, 2014 concerning the effects of benefits and tax deconsolidation shall be paid in the following years:

Year	
2015	$ 9,837
2016	11,525
2017	34,077
2018	57,552
2019 and thereafter	347,458
	$ 460,449

g. Tax integration

The $132,261 ISR liability derived from the tax integration regime will be paid within four years.

h. The Entity recorded payable long-term ISR $254,053 derived from the Decree which establishes that the ISR installment sales can be settled over three years by paying 33.3% of the outstanding amount each year. The tax advantage of deferring ISR on installment sales was eliminated.