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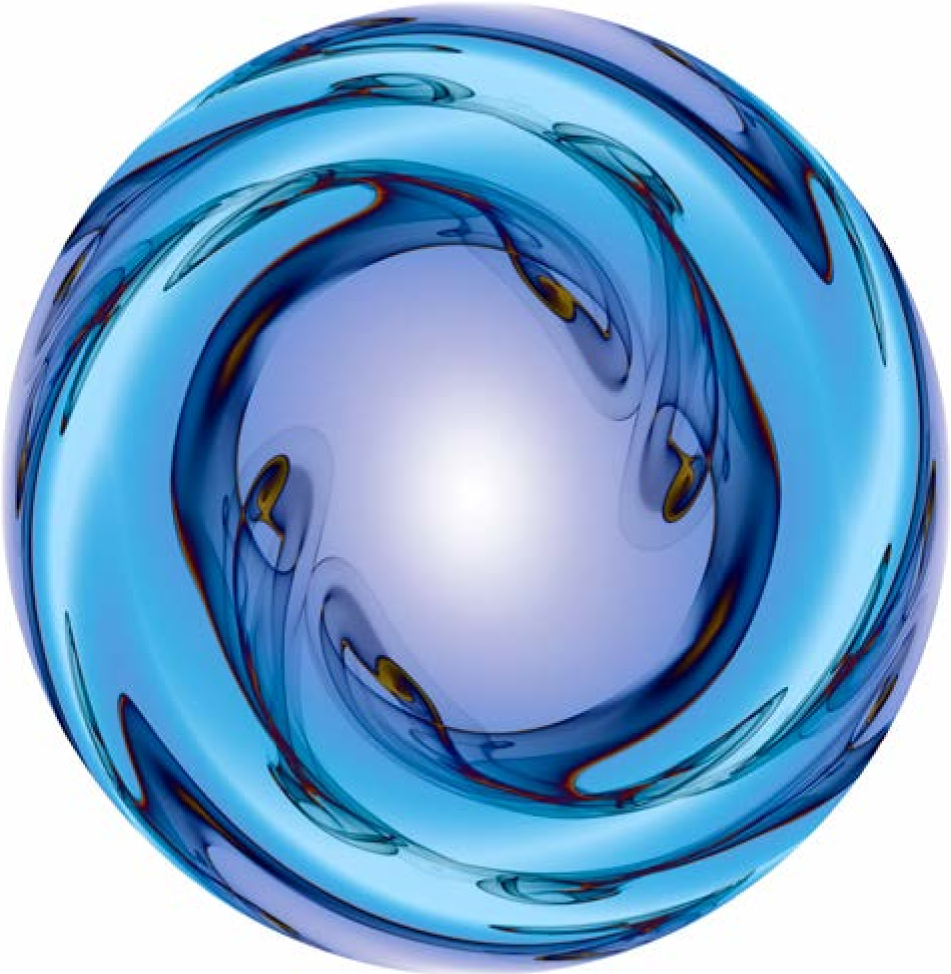

Tax and Legal
Economic Package 2025

November 20th, 2024

Economic Package 2025

Mexico's federal executive branch submitted the 2025 Economic Package for review to the Chamber of Deputies on 15 November 2024.

The package comprises the General Economic Policy Criteria, the Federal Revenue Law (LIF), the Federal Expenditure Budget, and the Fees Law. There will be no change to the Income Tax Law, Value-Added Tax Law, Excise Tax Law, or Federal Tax Code (CFF), and certain tax surcharges, incentives, and exemptions will remain in effect, as further discussed below.

If approved by Congress, the proposals will become effective on 1 January 2025.

A summary of the most relevant reforms is detailed below.

Macroeconomic framework

The package relies on the following economic variable estimates:

	Approved 2024	Estimated 2025
GDP %	2.5 - 3.5	2.0 - 3.0
Inflation %	3.8	3.5
USD/MXN exchange rate	17.6	18.5
Interest rate %	9.5	8.0
Oil (USD/barrel)	56.7	57.8

Federal Revenue Law (LIF)

• The following surcharges imposed when extensions are granted for the payment of tax liabilities will remain in effect:

- Additional 0.98% monthly rate imposed on outstanding balances; applying the terms of the CFF results in a 50% increase such that the surcharge rate will remain 1.47%; and
- Monthly surcharge rate applicable to balances during the relevant period when installment payments are authorized in conformity with the CFF:
- Installment payments made during a period of up to 12 months: 1.26%;
- Installment payments made during a period greater than 12 months and up to 24 months: 1.53%; and
- Installment payments made during a period greater than 24 months and deferred payments: 1.82%.

• The following tax incentives will remain in effect:

- Income tax (ISR) credit for the excise tax (IEPS) on imported or acquired diesel, biodiesel, and their blends;
- ISR credit for the IEPS imposed on buyers of fossil fuels;
- Up to 50% ISR credit for expenses incurred for the use of the toll highway infrastructure;
- ISR credit for the special mining fee for taxpayers with income below MXN 50 million; and
- Incentive granting an additional deduction equal to 8% of cost for individuals and companies engaged in the sale of books, magazines, and newspapers
- Exemption from the customs processing fee for natural gas imports.

The first four incentives above will continue to be treated as accruable income for ISR purposes when effectively credited.

• The withholding tax on interest paid to individuals and entities resident in Mexico would be calculated by applying a 0.50% annual rate to the principal amount.

• Article 29 of the CFF, in substitution of the standard applicable to the deadline specified for the cancellation of online digital tax invoices (CFDIs), indicates that the latter may be canceled no later than the final day of the month in which the annual ISR return must be filed for the fiscal year in which the receipt was issued, as long as the individual or entity to which the invoice was issued accepts its cancellation.

• A temporary provision specifies that, during fiscal 2025 and in substitution of the provisions of Chapters I, II and III of Title III denominated "Assignment-related income" of the Hydrocarbons Revenue Law, assignees (including PEMEX) which are subject to the payment of the duties referred to by articles 39, 44 and 45 of that Law would only pay the annual oil duty for welfare according to the procedure specified by the LIF. Similarly, a series of temporary articles intended to regulate the tax regime utilized by PEMEX and the CFE have been created.

• Another temporary provision would grant a tax incentive to individuals and companies whose total income for income tax purposes during the fiscal year in question does not exceed MXN 35 million. However, individuals and companies that have received a debt release, reduction, decrease or any other similar benefit as regards the payment of tax liabilities based on the generalized fiscal debtor release programs referred to by the decree published in the official gazette on 20 May 2019, would be unable to apply this incentive.

The tax incentive would be applicable to fines imposed for the infringements indicated by tax, customs and foreign trade laws, fines derived from noncompliance with tax laws other than those involving payments and fines with aggravating circumstances, together with surcharges and enforcement expenses related to the taxpayer's own, withheld or transferred federal taxes, or countervailing duties, which are administered and collected by the Service Tax Administration (SAT) or National Customs Agency of Mexico, under the assumptions specified by the temporary article itself. These assumptions include, among others, that the tax incentive would be equal to 100% of fines, surcharges and enforcement expenses; taxpayers must have outstanding taxes or countervailing duties dating from fiscal 2023 or prior years; they must be subject to inspections, authorized for the payment of tax liabilities and have payable tax liabilities determined by the federal authority.

In order to apply this incentive, no later than 30 September 2025, taxpayers must file an application with the SAT in conformity with its general rules. Filing this application would suspend the administrative-law enforcement proceeding without the obligation to provide a tax lien, while also suspending the statute of limitations deadline. This tax incentive would not be considered as accruable income for ISR purposes and is not applicable by taxpayers that have received a guilty verdict related to a tax felony or those included on the list of taxpayers that have not challenged the infringements of which they were accused as a result of the procedures detailed in articles 69-B and 69-B Bis of the CFF.

Fees Law

The special mining tax is increased from 7.5% to 8.5% and the extraordinary mining tax from 0.5% to 1%.

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