

Mexico



Background

The general corporate income tax rate is 30%.

Although R&D incentives were eliminated as part of Mexico's 2010 tax reform, the legislature has allocated funds to extend R&D grant programs to provide direct cash subsidies for qualified R&D projects undertaken in 2014 and 2015.

The incentive is administered by the National Council for Science and Technology (CONACYT), which determines eligibility and awards grants.

Nature of incentives

The R&D incentives are provided in the form of cash grants through the following three programs:

High Added Value Technological Innovation for Technological Research, Development, and Innovation (INNOVAPYME): Granting economic support to micro, small, and medium-sized enterprises (MIPYMES) for activities preferably performed in conjunction with higher education institutions or research centers.

Development and Innovation of Precursor Technologies for Technological Research, Development, and Innovation (PROINNOVA): Granting economic support to MIPYMES and large companies. Proposals must be presented on a network basis and must involve collaborative research with another entity and one research center/higher education institution.

Technological Innovation to Enhance Competitiveness for Technological Research, Development, and Innovation (INNOVATEC): This program grants economic support to large companies that meet the eligibility requirements. Priority is given to collaborative proposals involving research centers or higher education institutions.

Applications for the cash grants may be submitted from September to November.

The grants provided by the above programs range from 22% to 75% of eligible R&D expenses paid by the Mexican company. The largest grants generally are awarded for collaborative research conducted with a research center or higher education institution.

Mexico has extended certain grant programs to fund R&D projects undertaken in 2015.

There also are federal incentives offered under the Program for the Development of the Software Industry (PROSOFT) which is aimed at developing a strong, competitive and global IT sector in Mexico, that can increase the productivity and innovation capacity of Mexican companies. The program is managed by the Ministry of Economy.

Potential beneficiaries of PROSOFT are individuals with entrepreneurial activities and entities incorporated under Mexican law whose main activities relate to software development, IT services, outsourcing of business processes and digital creative media. The incentive takes the form of a cash grant on eligible expenses, based on specific caps per expense category. Eligible expenses include training and certification costs, set up costs and investment in technological equipment, quality assurance costs, innovation costs (e.g., technology licenses, scientific research, transfer of technology, patent registry, trademarks and copyrights), merchandising services for IT products, benchmarking and market strategy studies, specialized consulting services and costs for participating in or hosting IT events.

To qualify for a PROSOFT grant, the beneficiary must cover at least 50% of the project's total investment, must be current on its tax obligations and must not be receiving duplicate benefits derived from other federal programs that provide funding or other incentives.

Rules for 2016 have not yet been published, but applications for 2015 had to be submitted between 30 January and 24 August 2015.

Although PROSOFT is a federal incentive, the Mexican states can adopt the program and provide similar cash grants, i.e., act as "promoting organisms".

The Ministry of Economy can conduct audits to ensure that the granted federal resources are being used for the authorized purposes.

Buildings and capital equipment used in research generally must be depreciated, but some expenses can be deducted if certain requirements are met.

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Eligible industries and qualifying costs

The R&D grants are not limited to specific industries. Eligible companies engaged in activities related to technological investigation, development, or innovation may qualify, particularly if the proposal includes collaborative research.

The grants offered typically will cover the related operating expenses for research centers or higher education institutions, project salaries, personnel travel expenses, expenses incurred to register IP rights, technological studies, analyses, etc., certain scholarships, infrastructure creation expenses, and prototypes, pilot models, and their evaluation.

IP and jurisdictional restrictions

The qualified R&D activity must occur within Mexico. While IP does not have to be retained in Mexico, this factor may be considered by the granting authorities in deciding whether to fund the R&D project.

Other concerns

Annual application requirements mandate submission of documentation detailing the nature of the qualifying projects.

Mexico

Nature of benefit available	Income tax benefit generally available	Specific pre-approval required from government	Refundable/ Carryforward
Grants	There are no tax benefits available, only R&D grants.	Grant application process.	N/A
R&D activities must occur in country	Cap/Limitations on benefits	IP must be retained in country	Industry eligibility restriction
Yes	N/A	No, but it is a factor considered in the grant issuance decision-making process.	No