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TAX

NEWSFLASH

2027 Economic Package Considerations on the Tax Amendment Proposals

On September 8, 2026, the President of Mexico submitted to the Chamber of Deputies of Congress an initiative for the Federal Revenue Law for Fiscal Year 2027, as well as a draft Decree to amend, supplement, and repeal, among others, various provisions of the Federal Duties Law and the Income Tax Law (the "Initiative").

The Initiative includes important changes and additions to tax provisions, many of which, given the impact they could have on taxpayers and that they violate various constitutional principles, could be subject to challenge through an amparo lawsuit. The following is a brief summary of the most relevant proposed changes.

Federal Revenue Law for Fiscal Year 2027

IEPS for Fuels

The Initiative proposes to establish a new specific payment regime for the special tax on production and services ("IEPS") for persons other than manufacturers, producers, or importers that sell gasoline and diesel. Persons other than manufacturers, producers, or importers of gasoline or diesel would be required to pay the IEPS on inventory shortfalls or inconsistencies, based on the units of measurement acquired and sold in accordance with their volumetric control obligations.

Financial System Interest Withholding Rate

The Initiative proposes to set at 0.68% the withholding rate on financial system interest, to be applied on the capital amount generating the payment of such interest during fiscal year 2027.

Stock Market Stimulus for Initial Public Offerings (IPO)

The Initiative proposes to reinstate a stimulus that originated from the Decree of January 8, 2019 (which expired on December 31, 2025), consisting of applying a 10% income tax rate ("ISR") on gains from the sale of shares obtained by individual residents of Mexico, individuals and legal entities resident abroad without a permanent establishment, and foreign transparent entities and legal structures, when the sales are carried out on licensed stock exchanges in connection with an initial public offering of a Mexican company. The application of the reduced rate is subject to certain limitations, such as the market value not exceeding 50 billion pesos, and it applies to up to 25% of the paid shares sold without a change of control.

In simultaneous dual listings in Mexico and in recognized markets of jurisdictions with which Mexico has a tax treaty in force, the Initiative proposes that the stimulus apply with respect to the portion placed in the Mexican market.

Non-Deductibility of Fees Paid to IPAB

The Initiative maintains the non-deductibility of three-quarters of the fees paid to the Bank Savings Protection Institute ("IPAB") by commercial banking institutions that are allocated to the banking bailout of the Banking Fund for the Protection of Savings ("FOBAPROA"), on the grounds that they are not considered strictly indispensable for the generation of income.

Digital Intermediation Platforms

The Initiative proposes to maintain at 2.5% the withholding rate applicable to legal entities that receive income from the sale of goods and the provision of services through technology platforms. When the legal entity does not provide its Registro Federal de Contribuyentes ("RFC") to the platform, the withholding rate shall be 20%.

FinTech

The Initiative proposes to maintain the obligation for Collective Financing Institutions, subject to the Law to Regulate Financial Technology Institutions ("FinTech Law"), to assume the obligation to withhold and remit ISR and the value added tax ("VAT") corresponding to the interest generated in financing operations in which they act as intermediaries, regardless of whether the beneficiaries are individuals, legal entities, or foreign residents.

In particular, it is proposed that the platforms must withhold ISR at a rate of 20% on nominal interest paid to residents of Mexico and apply the corresponding rate to foreign residents. Additionally, they must withhold and remit the corresponding VAT at 16% on accrued interest, issue Digital Tax Receipts ("CFDIs") reflecting the withholdings made, and file the corresponding return no later than the 17th day of the following month.

Tax Regularization Program

The Initiative proposes to establish a tax stimulus of 100% of penalties, surcharges, and enforcement costs for individuals and legal entities whose total income in 2025 did not exceed 300 million pesos and who have final or consented tax assessments administered by the Tax Administration Service ("SAT") or the National Customs Agency of Mexico ("ANAM"), including penalties for tax, customs, and foreign trade violations. When the assessment consists exclusively of penalties for non-compliance with obligations other than payment obligations, the stimulus is 90%. It does not apply to large taxpayers or to those linked to criminal tax proceedings, who have a final conviction for tax crimes, or who appear on the lists under Articles 49 Bis, 69-B, and 69-B Bis of the Federal Tax Code.

Capital withdrawals

The Initiative proposes that individuals and legal entities resident in Mexico, and foreign residents with a permanent establishment, who have maintained funds of lawful origin abroad until September 8, 2026, may pay ISR by applying a rate of 7.5%, without any deductions, on the total amount withdrew. The funds must be repatriated no later than December 31, 2027, and invested in the country for at least three years in eligible assets. The distribution of dividends or capital reimbursements during that period triggers a 10% withholding.

Income Tax Law

Cap on Deductions and Tax Losses

The Initiative proposes to add a new chapter to the Mexican Income Tax Law ("LISR"), setting a limit on the amount of tax deductions and losses that Mexican resident entities with accruable income exceeding MXN$50 million could apply in any given year, which could significantly impact taxpayers in industries with a low-margin revenue.

As for deductions, the Initiative proposes that in case such deductions are less than or equal to 96.67% of an entity's taxable income, the limit shall be the result of multiplying the deductions by a factor of 0.9900 (i.e., deductions are reduced by 1%). When deductions exceed 96.67% of such income, the deduction limit shall be the result of multiplying the taxable income by a factor of 0.9667.

Authorized deductions that cannot be applied in the relevant fiscal year may be carried forward for up to twenty fiscal years until fully utilized, subject to certain rules.

With respect to net operating losses (NOLs), the Initiative set a limit to its offsetting, equal to 50% of the taxable profit for the fiscal year, after applying the deduction cap described above. This same limitation would apply for purposes of calculating monthly provisional income tax payments.

Prior-year NOLs that cannot be offset solely due to this limitation may be carried forward for up to twenty years until fully utilized.

This new mechanism would not apply to taxpayers that are taxed under the agricultural, livestock, forestry, and fishing activities regime (AGAPES) or coordinados; those carrying out maquiladora operations; companies declared bankrupt; insurance institutions; or legal entities with fewer than five years of registration with the Federal Taxpayers Registry (RFC). These limitations would also not apply to taxpayers that are currently applying accelerated depreciation benefits on investments.

Estimated Tax Payments 2027

As part of its transitional regulations, the Initiative proposes to adjust the calculation mechanism for monthly provisional income tax payments for 2027, which would be applicable to legal entities resident in Mexico with taxable income exceeding 50 million pesos.

If the deductions from the most recent annual return are less than or equal to 96.67% of taxable income, the profit coefficient shall be multiplied by a factor of 1.0658; whereas, if the deductions exceed the 96.67% threshold of taxable income, the profit coefficient must be multiplied by a factor of 2.6162.

According to the statement of reasons of the Initiative, this measure intends to include the impact of the Initiative described in the preceding section to be reflected uniformly throughout the monthly provisional tax payments for fiscal year 2027, rather than being concentrated in the annual return for fiscal year 2027, which would not be filed until early 2028.

Additionally, taxpayers with NOLs pending application would only be able offset them against the taxable profit subject to a maximum limit obtained from multiplying the taxable profit (after applying the adjusted profit coefficient) by a factor of 0.5000.

Limit on Interest Deductions

The Initiative proposes to amend Article 28, Section XXXII, first paragraph of the LISR, in order to reduce from 30% to 20% the percentage of adjusted taxable profit that constitutes the limit for the deduction of net interest expense for the fiscal year. The statement of reasons of the Initiative justifies the reduction based on the need to combat tax planning strategies through which profits are shifted via interest payments between related and unrelated parties.

If approved, taxpayers with leveraged financing structures, particularly those with financing for acquisitions, infrastructure, or capital projects, will need to recalculate the impact of the new limit on their effective tax burden, considering that the reduction could generate a material increase in the ISR tax base.

Payments Abroad

The Initiative proposes to amend Article 27, Section V, first paragraph, and Article 153, fifth paragraph of the LISR, in order to condition the deductibility of payments made to foreign residents on the fact that the applicable withholding is effectively paid.

Under the current text, Article 27, Section V of the LISR establishes as a general deductibility requirement that the taxpayer comply with its withholding and remittance obligations for taxes owed by third parties, specifying that, in the case of payments abroad, these may only be deducted provided the taxpayer files the information required under Article 76 of the LISR. The Initiative proposes to add as a condition that such payments may only be deducted in the fiscal year in which the consideration is paid and the corresponding withholding is paid to tax authorities pursuant to Article 153, fifth paragraph of the LISR.

Likewise, the amendment to Article 153, fifth paragraph of the LISR incorporates accrual as the triggering event for tax withholding obligation. Under the current text, the withholding agent is required to remit an amount equivalent to the amount it should have withheld on the date of enforceability or at the time payment is made, whichever occurs first. The Initiative proposes that the withholding must be made on the date of enforceability, on the date of accrual, or at the time payment is made, whichever occurs first.

Additionally, the rule for conversion to national currency in the case of consideration denominated in foreign currency is modified. The Initiative proposes that such conversion be made at the time the corresponding tax withholding is made.

Advance Payments Related to Services and Leases

The Initiative proposes to add a third paragraph to Article 25 of the LISR to establish that, in the case of advance payments for the provision of services and the granting of the temporary use or enjoyment of property, the deduction shall only be allowed in the fiscal year in which (i) the service is effectively rendered or (ii) the corresponding use or enjoyment period elapses. When the provision of services or the temporary use or enjoyment spans more than one fiscal year, the deduction shall only be allowed for the portion effectively received or granted.

Currently, Article 27, Section XVIII, of the LISR provides that advance payments for expenses shall be deductible in the fiscal year in which they are made, provided that the taxpayer has the tax receipt for the advance payment in that same fiscal year and the receipt covering the entire transaction no later than the last day of the following fiscal year, including both the acquisition of goods and the receipt of services. However, the Initiative proposes to amend such section in order to remove the reference to "services" from the general rules for the deduction of advance payments, and to add a final paragraph that expressly excludes advance payments for services and for the temporary use or enjoyment of property from the general mechanics of such section.

It should be noted that this measure does not eliminate the right to the deduction, but rather conditions it on the effective receipt of the consideration, and its application is limited to advance payments made from the effective date of the reform onward, preserving the treatment of previously deducted advance payments.

Optional Regime for Groups of Companies

The Initiative proposes to repeal Chapter VI of Title II of the LISR, which governs the Optional Regime for Groups of Companies. For these purposes, the Initiative proposes that taxpayers who, as of December 31, 2026, are taxed under such regime must deconsolidate by January 1, 2027, while the deferred ISR pending payment must be remitted no later than December 31, 2027.

Simplified Trust Regime ("RESICO")

With respect to individuals, the Initiative proposes to increase from 3.5 to 5 million pesos the annual income threshold for being taxed under the RESICO.

With respect to legal entities formed by individuals, the Initiative proposes to increase from 35 to 50 million pesos the income threshold and for the regime to cease being mandatory and become optional, so that the taxpayer may choose between the RESICO and the general regime under Title II.

Additionally, certain investment depreciation rates are doubled: for example, royalties from 15% to 30%, furniture and fixtures from 25% to 50%, real property from 13% to 26%, and pre-operating period expenditures from 10% to 20%.

Capital Contribution Account ("CUCA")

The Initiative proposes to amend Article 78, eleventh paragraph of the LISR to clarify that, in the case of capitalization of liabilities, accrued interest and the corresponding VAT on such liabilities shall not be included as contributed capital. Additionally, in the case of in-kind contributions consisting of accounts receivable, assignment of collection rights, or negotiable instruments, these shall be added to the CUCA only at the time they materialize and only up to the amount effectively collected in cash.

Likewise, the reference to the amortization of losses is incorporated as a concept that must be recognized when reducing the CUCA, together with capital reimbursements and capital reductions, in order to reflect the economic reality of the entity.

Net Taxable Profit Account ("CUFIN")

It is proposed to amend Section II of the third paragraph, as well as the fifth paragraph of Article 77 of the LISR, to clarify that the non-deductible items that must be subtracted for purposes of determining net taxable profit include both those set forth in Article 28 of the LISR and those that do not meet the tax requirements established by applicable provisions. This same clarification is incorporated into the rule of the fifth paragraph, which governs the calculation when the sum of non-deductible items and other items exceeds the taxable income for the fiscal year.

This portion of the Initiative aims to narrow the margin of interpretation that some taxpayers have used to limit the concept of "non-deductible items" exclusively to those contemplated in Article 28 of the LISR, thereby omitting to subtract from the CUFIN those expenditures that, while not expressly prohibited by such article, simply do not meet the general deductibility requirements, resulting in an artificial increase of the CUFIN balance.

Tax Stimulus – Plan México

The Initiative replicates the Plan México stimulus originally issued through the Decree granting tax incentives to support the national strategy known as Plan México, applicable to legal entities taxed under the general regime and those taxed under the RESICO, as well as to individuals with business and professional activities, consisting of: (a) immediate deduction of investments in new fixed assets acquired from January 1, 2027, through September 30, 2030, with preferential rates from 35% to 89% of the original investment amount; and (b) an additional deduction of 25% of the increase in training or innovation expenses, applicable in the annual returns for 2027 through 2030. Office furniture, internal combustion vehicles, armoring equipment, and assets not individually identifiable are excluded; the assets must remain in use for at least two years.

The authorized amount is subject to a global cap resulting from subtracting from the 30 billion pesos provided for in the Plan México Decree the incentives effectively authorized through December 31, 2026.

Tax Stimulus – Development Poles

The Initiative proposes to include as transitional provisions of the LISR the incentives that were previously granted by decree for the various Development Poles:

a) *Economic Development Poles for Well-Being.* Immediate deduction of 100% on new fixed assets (2027–2030) and an additional deduction of 25% for training or innovation, applicable to individuals and legal entities resident in Mexico and foreign residents with a permanent establishment that carry out economic activities in the Poles, as well as to the developers of such Poles.

b) *Circular Economy Development Poles for Well-Being ("PODECIBI").* Applicable to "circular economy companies" and developer entities, consisting of (a) a tax credit equivalent to 100% of the fees for the use, enjoyment, or exploitation of public domain property in favor of the developers; (b) an additional deduction of 25% of the increase in training or innovation expenses linked to circular design, through fiscal year 2030; and (c) the immediate deduction of 100% of the original investment amount in new fixed assets used in the PODECIBI during 2027 through 2030, with a minimum retention period of two years.

c) *Development Poles for Well-Being (i) of the Isthmus of Tehuantepec and (ii) Progreso I and Mérida I (Yucatán).* Stimulus consisting of (a) a tax credit against ISR of 100% for the first three fiscal years and 50% for the following three (up to 90% if minimum employment thresholds are exceeded); (b) immediate deduction of 100% of new fixed assets for six fiscal years; and (c) a tax credit equivalent to 100% of the VAT for transactions carried out within the Poles, applicable for four years, subject to compliance with the corresponding requirements. The Ministry of Finance ("SHCP") must issue the corresponding guidelines no later than January 31, 2027.

The regimes for the Economic Development Poles for Well-Being and the PODECIBI expressly recognize the figure of the developer. In the former, developers may apply the immediate deduction of 100% of new fixed assets and an additional deduction of 25% for training or innovation; in the PODECIBI, they may additionally apply a tax credit of 100% of certain fees for the use or exploitation of public domain property.

Federal Duties Law for Fiscal Year 2027

The Initiative proposes to amend, supplement, and repeal various provisions of the Federal Duties Law in order to update the fees charged by the agencies of the Federal Public Administration for the provision of services and for the use, enjoyment, or exploitation of public domain property of the Nation.

Customs Law

Audit Powers and Precautionary Seizure for Undervaluation

The Initiative proposes to expand the powers of customs authorities in valuation matters. When the value declared in the customs entry is lower than the transaction value of identical or similar goods determined under the same law, the authorities must initiate their audit powers ex officio, without a minimum percentage threshold being established for these purposes. It is also proposed to eliminate the 50% threshold currently required for a precautionary seizure on grounds of undervaluation.

Substitution and Lifting of the Precautionary Seizure

LThe Initiative proposes to establish a new mechanism for substituting the precautionary seizure when the goods are not subject to estimated prices. If the value discrepancy is less than 20%, the seizure may be substituted by a cash deposit or a deposit in a customs guarantee account for the corresponding taxes and countervailing duties; whereas, if the discrepancy is equal to or greater than 20%, the substitution may only be made by a cash deposit.

Likewise, when the lawful stay or possession of the goods is proven, or that the declared value was correctly determined, the release of the guarantee or the return of the corresponding deposit is proposed.

Digital Economy Law for Digital and Electronic Payments and General Law for the Strengthening and Harmonization of Cadastral and Registry Systems

The Initiative proposes to enact a new Digital Economy Law for Digital and Electronic Payments and a General Law for the Strengthening and Harmonization of Cadastral and Registry Systems. Although neither of these initiatives contains strictly tax-related changes, the proposed digitalization measures could eventually have an impact by enabling greater tax enforcement on taxpayers.

We invite you to contact your usual contacts at Ritch Mueller to discuss any matters related to the issues described in this note, or to contact the partners in the Tax practice group directly.

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