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2026 FEDERAL BUDGET OVERVIEW OF PROPOSED TAX REFORMS

On September 8, 2025, President Claudia Sheinbaum submitted to the Mexican Congress a Federal Revenue Law Bill for Fiscal Year 2026, along with a draft Decree proposing amendments, additions, and repeals to various provisions of several tax laws (the "Proposal").

The Proposal includes important modifications and additions to relevant tax provisions. Even though we will publish a detailed analysis within the next few days, this memorandum provides a brief overview of some of the most relevant tax topics.

I. Mexican Federal Revenue Law 2026

FinTech

The Proposal establishes that Collective Financing Institutions (Instituciones de Financiamiento Colectivo), subject to the Law to Regulate Financial Technology Institutions ("FinTech Law"), assume the obligation to withhold and pay income tax ("ISR") and value added tax ("VAT") corresponding to interest derived from financing transactions in which they act as intermediaries, without distinguishing whether the beneficiaries are individuals, legal entities or foreign residents.

The Proposal specifies that these crowdfunding platforms should withhold ISR at a 20% rate on nominal interest paid to Mexican residents and apply the corresponding withholding rate to foreign residents. Additionally, these platforms would be required to withhold and remit VAT at a 16% rate on accrued interest, issue the corresponding tax invoices ("CFDIs") reflecting the withholdings made, and file the related tax return no later than the 17th day of the following month.

FIFA World Cup 2026

The Proposal provides that individuals and legal entities, whether Mexican residents or non-residents, who participate in the organization, execution, matches, or events related to the FIFA World Cup 2026, would be exempt from complying with formal tax obligations related to payment, collection, withholding, remittance, and reporting of taxes, provided these obligations arise exclusively from activities performed or income earned in connection with the tournament and its related events. This exemption would apply beginning in the last quarter of 2025.

The Mexican subsidiary of FIFA should identify and report to the Mexican Tax Authority on a monthly basis, the information of the individuals or entities benefiting from the exemption, including name, Federal Taxpayer Registry ("RFC") or tax identification number, type of participation, income generated, activities carried out, venues, and country of residence. This should not apply to Mexican taxpayers who have definitive tax assessments, canceled digital seal certificates ("CSDs"), criminal tax records, or who appear on the non-compliant taxpayers lists published under articles 69 and 69-B of the Federal Fiscal Code ("FFC"). Mexican Tax Authorities will have the authority to issue administrative rules to define the scope of the applicable benefits and to request additional information when deemed necessary.

Tax regularization program

It is proposed to increase the total income limit for the tax regularization program from 35 million pesos to 300 million pesos. That is, individuals and legal entities whose total taxable income for Mexican income tax purposes in 2024 does not exceed MXN \$300 million and who have final tax assessments would be eligible to access the program. The program grants a tax incentive consisting of a 100% waiver of fines, surcharges, and enforcement expenses related to tax liabilities for 2024 and prior fiscal years, including penalties associated with tax, customs, and foreign trade obligations. The application of the incentive is subject to compliance with certain requirements, including: (i) in the event of ongoing tax audits, the taxpayer should self-correct before receiving the final resolution, and (ii) the taxpayer should withdraw any appeals or legal remedies previously filed. This benefit is not applicable to taxpayers registered under the Major Taxpayers Division.

Digital Intermediation Platforms

The Proposal seeks to standardize the withholding tax rate applicable to individuals earning income through digital platforms at 2.5%. For legal entities, a 4% withholding rate would apply on gross income derived from the sale of goods or the provision of services through such platforms, with no deductions allowed. If a legal entity fails to provide its RFC to the platform, a 20% withholding rate would apply. The tax withheld would be creditable against the taxpayer's monthly income tax payments or annual income tax liability.

Transparency of foreign vehicles

In relation to foreign vehicles managing private equity investments in Mexican resident entities pursuant to Article 205 of the Mexican Income Tax Law ("MITL"), it is specified that such vehicles should maintain their tax transparency, even when managed by a Mexican tax resident. Furthermore, it expressly provides that Mexican investment companies for retirement funds ("SIEFORES") will be exempt from recognizing the income they receive through such structures under Articles 4-B and 177 of the MITL, without affecting the vehicle's tax-transparent status.

Withholding rate for interest derived from the financial system

The Proposal seeks to establish a fixed withholding tax rate of 0.90% (previously 0.50%) on the capital generating interest payments during the fiscal year, applicable to payments made through financial system institutions.

This measure is based on macroeconomic and market projections prepared by both the Federal Government and the private sector. The objective is to adjust the withholding tax on income derived from capital investments to more accurately reflect the projected economic conditions.

Non-deductibility of fees paid to the IPAB

The Proposal also includes the non-deductibility of 75% of the fees paid by banking institutions to the Institute for the Protection of Bank Savings ("IPAB"), which are allocated to the bank rescue program under the Bank Savings Protection Fund ("FOBAPROA").

Additionally, the Proposal seeks to classify these fees as non-deductible expenses under Article 28 of the MITL, as they are not considered strictly necessary for income tax purposes.

Deduction of uncollectible loans by banking institutions

The Proposal seeks to standardize the tax treatment applicable to the deduction of uncollectible loans by banking institutions, aiming to align it with the general regime applicable to other taxpayers through an amendment to Article 27, Section XV of the MITL.

Currently, banking institutions benefit from a differentiated regime that allows them to consider a loan uncollectible when the portfolio is written off in accordance with the provisions issued by the National Banking and Securities Commission (“CNBV”). This treatment contrasts with that of other taxpayers under the general regime, who may only classify a loan as uncollectible, among other conditions, once they obtain a final resolution from the competent authority confirming that all collection efforts have been exhausted.

If approved, the Proposal would require banking institutions to obtain a final resolution for each loan exceeding 30,000 Inflation-Indexed Units (“UDIs”) before being able to deduct the corresponding loss.

Repatriation of capital

The Proposal introduces a tax incentive allowing Mexican resident individuals and entities to regularize the payment of income tax on lawful resources held abroad as of September 8, 2025. To qualify for the benefit, taxpayers should repatriate the capital, invest it in Mexico for at least three years in productive sectors, infrastructure projects, government bonds, liability payments, or similar uses, and pay a preferential tax rate of 15% on the repatriated amount, without claiming any deductions. Taxpayers with criminal tax records, those listed on the Mexican Tax Authority’s blacklist, or those holding funds from illicit activities or high-risk jurisdictions are expressly excluded.

Only resources repatriated no later than December 31, 2026, will be eligible for the benefit.

This capital repatriation scheme builds upon the 2017 program, under which a similar benefit was granted. However, the implementation rules at the time were unclear, resulting in increased audits by the Mexican tax authorities in subsequent years.

Surcharges

The Proposal seeks to increase the surcharge rates applicable to the payment of unpaid tax assessments. Under the new regime, the general surcharge rate on outstanding balances would rise to 1.38% per month (previously 0.98% per month). For installment payments, the Proposal also contemplates higher rates: 1.42% per month for terms of up to 12 months, 1.63% per month for terms greater than 12 and up to 24 months, and 1.97% per month for terms exceeding 24 months.

This adjustment aims to align surcharge rates with the Federal Government's financing costs arising from unpaid balances while also encouraging timely compliance with tax obligations.

II. Federal Fiscal Code

Registration in the RFC

The Proposal grants Mexican tax authorities the power to deny registration in the Federal Taxpayers' Registry (RFC) to entities whose legal representatives, partners, shareholders, associates, or other individuals involved in the requesting entity participate in companies that fall under any of the following situations:

- Are listed by the tax authorities as companies that issue invoices or deduct invoiced expenses without having the necessary assets, personnel, infrastructure, or material capacity to provide the services or produce, market, or deliver the goods covered.
- Have had their CSDs restricted and failed to refute the underlying cause.
- Have final tax assessments, are not located at their registered tax address, or have been convicted of a tax-related crime.

False CFDIs

The Proposal introduces a new requirement establishing that CFDIs should reflect actual, legitimate transactions or valid activities. Otherwise, they should be considered false CFDIs. The issuance, sale, purchase, acquisition, or use of false CFDIs for tax purposes, whether directly or through third parties, should qualify as a tax-related crime.

Restrictions on use of digital tax seals (certificados de sellos digitales)

The Proposal introduces new grounds for the temporary restriction of CSDs required for issuing CFDIs. These include: (i) failure to provide customs-related information when requested, (ii) holding final unpaid tax liabilities that remain unguaranteed while having issued CFDIs in the previous fiscal year exceeding four times the historical amount of the tax liability, (iii) issuing CFDIs without the correct product code, (iv) failing to include the permit number issued by the National Energy Commission (“CNE”) when required or declaring an incorrect one, (v) selling or disposing of fuels without proper importation or acquisition in accordance with applicable regulations, and (vi) assigning tax effects to false CFDIs.

Public notaries

The Proposal grants Mexican tax authorities the power to require public notaries to declare under oath the authenticity of documents submitted by individuals and legal entities in connection with tax-related procedures requested from them.

CFDI requirements

The Proposal also introduces the obligation to include the permit number issued by the CNE in all CFDIs issued for the distribution or sale of hydrocarbons or petroleum products.

Additionally, the Proposal establishes that CFDIs may only be canceled no later than the month in which the annual income tax return for the fiscal year in which the CFDI was issued should be filed, and only if the recipient accepts the cancellation. This aligns with a ruling issued by the Mexican Supreme Court.

Audit Powers

The Proposal seeks to grant Mexican tax authorities the power to initiate procedures focused exclusively on verifying whether CFDIs issued by taxpayers reflect actual, legitimate transactions.

To this end, the Proposal introduces a new Article 49 Bis, establishing a specific audit procedure with the following stages:

- In the visit order, the authorities should indicate the reasons supporting the presumption that the taxpayer's CFDIs are false, while simultaneously ordering the suspension of the taxpayer's CSD to prevent further CFDI issuance during the audit.
- Upon notification of the visit order, the authorities should prepare a detailed report recording the facts observed and any irregularities detected.
- After the conclusion of the visit and closure of the audit report, taxpayers should have five business days to submit evidence to refute the presumption that their CFDIs are false.
- Once the five-day period expires, the authorities will have 15 business days to issue and notify its resolution, which may: (i) confirm that the taxpayer successfully refuted the presumption and lift the CSD suspension, or (ii) determine that the taxpayer failed to refute the presumption, causing the CFDIs issued to lose tax validity.
- In cases where the authorities conclude that a taxpayer issued false CFDIs, it will publish the taxpayer's information on its internet portal and in the Mexican Official Gazette. Third parties that received CFDIs from such taxpayers should reverse any related tax effects. Failure to comply would empower the authorities to temporarily restrict the CSDs of those third parties as well.

Regarding audit powers, the Proposal seeks to modify the timing of the diligence in which tax authorities inform the taxpayer's representative of the facts or omissions detected during an audit. Under the proposed change, this diligence would be carried out after the notification of the last partial report, the official notice of observations, or the provisional resolution in the case of electronic audits.

Obligation to grant real-time access

The Proposal introduces a new Article 30-B to the FFC, establishing an obligation for taxpayers providing digital services through applications and online platforms referred to in Article 18-B of the Value Added Tax Law ("VATL") to grant the Mexican tax authorities continuous, permanent, and real-time access to the information contained in their records and related to the digital services they provide.

Under this Proposal, failure to comply with this obligation would allow the authorities to temporarily block access to the digital service in question.

If approved as drafted, this measure could potentially affect individuals' right to privacy and the constitutional principle of the inviolability of domicile, as taxpayers would become subject to permanent, unrestricted, and unannounced access by the tax authorities.

Consequently, taxpayers providing these digital services could consider filing an amparo lawsuit to challenge the constitutionality of this provision, given its implications for privacy and due process.

Tax Assessment Guarantee

The Proposal seeks to amend Article 141 of the FFC to establish a mandatory order for the alternatives available to taxpayers to guarantee a tax assessment and suspend the corresponding enforcement procedure, for example, when the taxpayer challenges the tax assessment by filing a legal remedy or requests an extension for payment, among other cases.

Currently, under the existing wording of Article 141, taxpayers may freely choose how to guarantee a tax assessment (e.g., cash deposit bond, surety bond, letter of credit, among others). However, under the Proposal, taxpayers would be required to follow a specific order of priority when selecting the mechanism to guarantee a tax assessment.

1. Cash deposit bond.
2. Letter of credit.
3. Pledge or mortgage.
4. Surety bond.
5. Joint liability of a third party.
6. Administrative seizure.

Based on this Proposal, taxpayers subject to a tax assessment who wish to suspend its enforcement while pursuing a legal remedy would first be required to present a cash deposit bond to the tax authorities. This requirement would effectively force taxpayers to disburse the full amount of the tax assessment in order to obtain such cash deposit bond, without generating any return on the deposited funds.

Only in cases where taxpayers lack the financial capacity to guarantee the entire tax assessment through a cash deposit bond, and provided they can demonstrate this situation, would they be allowed to secure the uncovered portion using the other guarantee mechanisms available, following the mandatory order established under the Proposal.

If approved as drafted, the Proposal would grant the tax authorities broad discretion to determine whether a taxpayer has sufficient financial capacity to guarantee a tax assessment with a cash deposit bond. In such cases, the authorities could reject alternative guarantee mechanisms offered by the taxpayer and proceed with the enforcement of the tax assessments.

Administrative appeal

Finally, the Proposal seeks to amend Article 144 of the FFC to establish that filing an administrative appeal before the tax authorities to challenge the legality of a tax assessment should no longer automatically suspend its enforcement.

Under this change, taxpayers who file an administrative appeal would be required to guarantee the challenged tax assessment in accordance with the rules described above, in order to prevent the authorities from enforcing during the appeal process.

Excise Tax Law

The Proposal introduces several modifications to excise tax products considered to have a high impact on public health. The ad valorem excise tax rate would increase from 160% to 200% for cigarettes, cigars, and other manufactured tobacco products, and from 30.4% to 32% for handmade cigars, together with a staggered update of the specific quota per cigarette through 2030. Additionally, an excise tax exemption would apply to nicotine products used as replacement therapy and to sales made by parties other than the manufacturer, producer, or importer.

Regarding flavored beverages, the Proposal would tax all beverages containing sweeteners, whether natural or artificial, and increase the specific quota per liter from MXN\$1.6451 to MXN\$3.0818, seeking to raise the overall tax burden above 22% of the retail price. The definitions of “flavored beverage” and “sweetener” would also be adjusted for greater clarity.

For betting games and raffles, both in-person and digital, the excise tax rate would increase from 30% to 50%. Additionally, the Proposal establishes new compliance obligations for foreign service providers and contemplates the temporary blocking of access to the relevant digital services as a penalty for non-compliance.

The Proposal also seeks to impose an 8% excise tax on the sale of video games containing violent, extreme, or adult content, deemed unsuitable for individuals under 18 years of age. This tax would apply both to physical formats and to digital services that allow access to or downloading such video games within Mexican territory.

Because digital video game service providers typically operate without a permanent establishment in Mexico, the Proposal would incorporate compliance obligations similar to those established under the VATL for digital service providers, in order to ensure proper tax collection and enforcement in this sector.

That said, the Proposal lacks sufficient clarity regarding the definition of video games subject to this excise tax, which could create ambiguity and compliance risks for taxpayers. If approved as drafted, taxpayers affected by this new excise tax on video games with violent content may consider filing an amparo lawsuit to challenge its constitutionality.

Federal Fees Law

The Proposal introduces several modifications to the Federal Fees Law. For regulatory stock market purposes, Article 29-A exempts from the payment of fees the generic registration of debt instruments and the simplified registration of securities in the National Securities Registry, while establishing a cap of MXN\$1,396,637 for fees applicable to simplified registrations. Additionally, Article 29-F exempts simplified issuers from paying inspection and surveillance fees.

The Proposal also clarifies that payments for the use of the radio spectrum are independent of other tax obligations and updates the fees set forth in Articles 155 to 161 regarding air navigation and aeronautical technical services.

Furthermore, the Proposal repeals the fees applicable to procedures before the Federal Antitrust Commission, with this measure becoming effective once the Plenary of the National Antitrust Commission is fully integrated. Finally, the law harmonizes with telecommunications sector regulations, and fees for private-use concessions for technological experimentation are eliminated.

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