C R E E L GARCÍA-CUÉLLAR AIZA Y ENRÍQUEZ

New Corporate Bonds and Capital Gains Tax Incentives

With the objective of encouraging the corporate debt securities market, as well as the domestic market of private equity, a Presidential Decree was published yesterday in the Official Gazette by means of which fiscal incentives are granted for interest paid abroad and profits obtained by certain Mexican individuals and non-Mexican residents from the alienation of shares conducted through authorized Mexican stock exchanges.

An incentive is granted to Mexican residents, mainly financial intermediaries, who are required to withhold taxes on the interest paid abroad to investors resident in countries with which Mexico has a tax treaty in force, deriving from Mexican corporate bonds placed before the large investing public.

This incentive consists of a credit of 100% of the withholding tax derived from such interest, creditable only against the withholding tax that should have been paid at the time of paying the interest abroad, so the practical effect of this incentive is to eliminate withholding tax applicable to such interests.

Likewise, a tax incentive is granted to individuals residing in Mexico and to any residing abroad, who, being shareholders of a Mexican company before having registered their shares in the National Securities Registry ("Founding Shareholders"), may apply the tax rate of 10% on the profits obtained during 2019, 2020 and 2021, in the sale of those shares, when the transaction is carried out through an initial public offering on authorized stock exchanges in Mexico, and the following conditions are met:

a) The value of the stockholders' equity in the company corresponds to an amount of $1,000,000 pesos (which we understand is a minimum reference value);

b) That the same person, or a group of related persons, who directly or indirectly have 10% or more of the shares of the issuer, or the control thereof ("Qualified Persons"), in a period of 24 months do not sell 10% or more of said shares or its control;

c) That the alienation is not carried out outside the stock exchange, through protected crossings or through registration operations;

d) That the shares sold are not of the type obtained from the exchange of shares of merged or de-merged companies.

This fiscal incentive may also be granted to Qualified Persons if at least 20% of the shares of the Mexican company are owned by a publicly traded venture capital trust ("FICAP") or a similar investment vehicle subject to compliance of certain requirements, and the transfer corresponds to a disinvestment process to initiate the public listing of the company.

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