CREEL GARCÍA-CUÉLLAR AIZA Y ENRÍQUEZ

NEARSHORING TAX INCENTIVES: DECREE PROVIDING TAX INCENTIVES TO KEY INDUSTRIAL EXPORT SECTORS

On October 12th, 2023, a Decree (the "Decree") entered into force establishing corporate income tax ("IT") incentives for taxpayers seeking to optimize their operations by relocating part of their production to any municipality in Mexico to avoid interruptions in supply chains (nearshoring), as well as for those companies currently located in Mexico who want to increase their operations through the investment in new assets.

To qualify for these tax incentives, goods must be produced in Mexico and exported in the following ten identified key sectors: food; agrochemicals and fertilizers; pharmaceutical industry materials; electronic components; machinery for medical use; accessories for electrical installations; automobile engines; accessories and parts for automobiles, trains, ships and airplanes; engines, turbines and transmissions for airplanes; and non-electronic equipment for medical, dental and laboratory use. Additionally, the tax incentive may also be applied by taxpayers engaged in the production of certain cinematographic or audiovisual works, provided that such works are exported.

An *accelerated depreciation for capital expenditures in new fixed assets* acquired from the effective date of the Decree until December 31, 2024, is granted to apply higher percentages (56% to 89%) than those set forth in the Income Tax Law, if they are kept in use for at least two years after their deduction and the taxpayer's income derived from the export of those goods represents at least 50% of its total invoicing during 2023 and 2024. Also, a *bonus deduction for training expenses* is granted for fiscal years 2023, 2024 and 2025, equivalent to 25% of any increase in educational expenses. The increase will be the difference between the expense incurred for training in the given fiscal year and the average expense incurred by the taxpayer for the same concept in 2020, 2021 and 2022.

Taxpayers will not be eligible for these tax incentives if: (i) they are listed by the Mexican Tax Authority ("MTA") as non-compliant; (ii) listed for carrying out simulated transactions, have a shareholder listed or have carried out transactions with a taxpayer on this list; (iii) they improperly transfer the right to reduce net operating losses; (iv) they have enforceable or insufficiently secured tax assessments; (v) they fail to comply with the requirements of the Decree; (vi) are in liquidation; (vii) are under a certificate for electronic seals ("CES") restriction procedure; or (viii) their CES is no longer in effect.

If the tax incentives are applied and the taxpayer fails to comply with the Decree, then the tax benefits will not be effective and any tax deficiencies with fines and interest will have to be paid. It is expected that the MTA will issue administrative rules for the proper application of the Decree. We suggest our clients and friends to analyze in detail the rules and requirements to access these tax incentives and remain in compliance.

The above information is intended to be a timely update on the relevant general administrative provisions. This content is for informational purposes only and does not constitute legal or professional advice. To obtain such advice or a more in-depth summary of the legal developments addressed herein, please do not hesitate to contact our partners Alejandro Santoyo (alejandro.santoyo@creel.mx); Omar Zúñiga (omar.zuniga@creel.mx); Jorge Correa (jorge.correa@creel.mx); Luis Vázquez (luis.vazquez@creel.mx); Eduardo Brandt (eduardo.brandt@creel.mx); y Luis Salinas (luis.salinas@creel.mx).

CREEL GARCÍA-CUÉLLAR AIZA Y ENRÍQUEZ

CREEL.MX

TORRE VIRREYES
PEDREGAL NO. 24, PISO 24
COL. MOLINO DEL REY
CIUDAD DE MÉXICO 11040 CDMX
+52 (55) 4748 0600

CORPORATIVO EQUUS
AV. RICARDO MARGAIN ZOZAYA NO. 335
TORRE 2, PISO 22 COL. VALLE DEL CAMPESTRE
SAN PEDRO GARZA GARCÍA, N.L., 66265
+52 (81) 8363 4221

PASEO DE LA CASTELLANA NO. 41,
7ª PLANTA, MADRID,
ESPAÑA 28046
+ 34 (91) 060 2811

FOLLOW

DISCLAIMER

LIBERACIÓN DE RESPONSABILIDAD

