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TAX REFORM FOR 2026

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On November 7, 2025, the Decree amending, adding to, and repealing various provisions of the Federal Duties Law ("FDL"), the Special Tax on Production and Services Law ("STPSL"), the Federal Tax Code ("FTC"), and issuing the Federal Revenue Law for Fiscal Year 2026 ("FRL") was published in the Federal Official Gazette.

The most relevant aspects of the reform are outlined below:

I. FRL for Fiscal Year 2026:

- **Private equity funds:** To clarify the tax incentive for private equity funds provided in Article 205 of the Mexican Income Tax Law ("MITL") applicable to foreign legal vehicles (*e.g.*, Canadian Limited Partnerships), the reform specifies two scenarios in which such vehicles will preserve tax transparency:
  - When the manager is a Mexican tax resident; and
  - When the specialized retirement investment companies that are members of the legal vehicle do not accrue the income obtained given their tax-exempt status ("IT").
- **Digital intermediation platforms:** The following obligations are established for such platforms:
  - *Individuals*: The IT withholding rate applied to Mexican individuals selling goods or rendering services increases from 1% to 2.5%.
  - *Legal entities*: Obligation to withhold IT is extended to legal entities at a rate of 2.5%, without deductions, and 20% if the legal entity does not provide its Mexican tax ID.
  - *Value-added tax ("VAT")*: Obligation to withhold 50% of VAT is extended to legal entities selling goods, rendering services or granting the use of goods, in which case, platforms should withhold 50% of the VAT or 100% when they do not receive a Mexican tax ID. Additionally, withhold 100% of VAT from non-Mexican residents operating in Mexico, as well as from sellers that collect payments into foreign accounts, even if the platform does not process the payment.
  - *Other obligations*: Report information for all of their customers (including legal entities and non-Mexican residents).
- **Uncollectible loans of credit institutions:** Beginning in fiscal year 2026, the deductibility requirements for uncollectible loans by credit institutions are conformed with the treatment applicable to other legal entities, harmonizing it with the scenarios of practical impossibility of collection provided in the MITL.

Accordingly, credit institutions will no longer be able to consider that practical impossibility of collection exists when loans are written off based on the provisions issued by the Mexican National Banking and Securities Commission.

- **IT withholding by financial system institutions:** For fiscal year 2026, the annual advanced IT withholding rate that financial system institutions apply on interest paid to Mexican tax residents, calculated on the capital balance, increases from 0.50% to 0.90%.
- **Securities lending transactions:** The base for the advanced IT withholding applicable to securities lending transactions that are not treated as a taxable transfer, when carried out by financial system institutions, is modified. As of fiscal year 2026, the withholding will be determined by applying a 9% rate to the agreed premium.
- **Non-creditable VAT for insurers:** As of fiscal year 2026, VAT paid by insurers on goods or services used exclusively to pay claims (*i.e.*, replacement of goods or indemnification of damages to insureds) will not be creditable.

  In parallel, Transitory Article Twenty-Eighth of the FRL provides that VAT paid by insurers for such concepts until December 31, 2024, may be considered creditable. In addition, a tax incentive is granted to insurers so that VAT credited in fiscal year 2025 may be paid to the tax authority in installments during 2026, without surcharges or fines, in accordance with rules to be issued by the Tax Administration Service ("TAS").
- **Fees paid to IPAB:** For fiscal year 2026, multiple banking institutions may not deduct three quarters of the fees paid to the Institute for the Protection of Bank Savings ("IPAB" per its acronym in Spanish) for IT purposes.
- **Surcharge rates:** For fiscal year 2026, the monthly surcharge rate for extensions on tax liabilities increases from 1.47% to 2.07% on outstanding balances. In addition, where installment payments are authorized, the following rates will apply: (i) 1.42% per month for terms up to 12 months, (ii) 1.63% per month for terms of more than 12 and up to 24 months, and (iii) 1.97% per month for terms longer than 24 months.
- **Repatriation of capital:** Transitory Article Twenty-Fourth of the FRL allows individuals and legal entities that have obtained lawfully sourced funds, kept abroad through September 8, 2025, to pay IT on the funds that are returned to or brought into Mexico.

  Key considerations include:

  - *IT rate and base:* A 15% rate will apply, without deductions, to the total amount returned, which must be paid within 15 calendar days following the date of return.
  - *Investment requirements:* Repatriated funds must be allocated, among other uses, to the acquisition of new fixed assets, land and buildings related to the taxpayer's activity, or government debt bonds.

» *Minimum holding period and distributions*: The funds must remain invested for three years without decrease. If distributions are made by way of dividends or capital reimbursements during the three-year period, a 20% IT withholding rate will apply.

Compared with the 2017 capital repatriation decree, this option increases the IT rate, extends the minimum holding period and adds express prohibitions with respect to certain high-risk jurisdictions where the funds are located. TAS is expected to issue regulations dealing with this provision.

- **FIFA World Cup 2026 facilities:** Transitory Article Twenty-Fifth of the FRL provides that individuals, legal entities, or non-Mexican residents participating in the organization and staging of the FIFA 2026 World Cup and related events may not be subject to compliance with formal tax obligations, payment obligations, value transfer, withholding, collection and remittance obligations established under the tax provisions.

In this regard, TAS will issue general rules.

II. FTC:

- **False digital tax invoices:** Various measures and penalties are introduced to address the issuance and use of "false" digital tax invoices ("CFDI" per its acronym in Spanish), highlighting the following:

  » *CFDI requirements*: CFDI must cover existing, genuine, or real transactions; otherwise, they will be deemed false.

  » *New expedited verification powers:* TAS may initiate expedited inspections (lasting a total of 24 business days) when it presumes that CFDI do not cover existing, genuine, or real transactions. This procedure includes: immediate suspension of CFDI issuance; if the CFDI is confirmed to be false, in addition to having no tax effects, the taxpayer's data will be published on the TAS website and in the Official Gazette of the Federation; obligation for third-party recipients to reverse the tax effects of those CFDI within 30 calendar days from publication, with a warning of restriction of the digital certificate ("CSD" per its acronym in Spanish) in case of non-compliance.

  » *Criminal Sanctions:* A penalty from two to nine years of imprisonment is provided for anyone who issues, sells, buys, acquires, or gives tax effects to false CFDIs. The offense will be prosecuted regardless of the status of the administrative proceeding that may have been initiated.

- **New grounds for cancellation and restriction of the CSD:**

  » *Cancellation of the CSD*: applicable if the taxpayer fails to disprove the presumption of issuing false CFDIs according to the new expedited inspection procedure.

  » *Temporary restriction of the CSD*: applicable when there are unpaid binding tax assessments and, in the previous year, the taxpayer issued CFDIs exceeding four times the amount owed; for improper practices in

the hydrocarbons sector (CFDIs without a product key, without declaring the permit number of the National Energy Commission); failure to timely correct the tax situation of recipients of CFDIs which were declared false.

- **Guarantee of tax assessment:**

  » *Obligation to guarantee from the administrative appeal stage*. The exemption that allowed challenging tax assessments through an administrative appeal without the obligation to post a guarantee is eliminated. Consequently, as of January 1, 2026, taxpayers who file an administrative appeal must guarantee the tax assessment, having a period of six months from the filing of the appeal to post the guarantee, pursuant to the Transitory Article Twenty-Ninth of the FRL.

  Procedures initiated before January 1, 2026, will be governed by the provisions in force on the date they began, therefore administrative appeals filed prior to that date will not require a guarantee.

  » *Mandatory order of preference and means to guarantee tax assessments*. The guarantee must first be offered through a deposit certificate, which requires full payment of the tax assessment amount, unless this exceeds the taxpayer's economic capacity. If insufficient, it may be combined with other guarantees, respecting the order set forth in the FTC (standby letter of credit; pledge; mortgage; surety bond; joint liability; and administrative attachment).

- **Real-time audit of digital platforms:** The approved amendment requires digital service providers to grant the tax authorities permanent, online, real-time access to the information contained in their systems or records to verify compliance with tax obligations, in accordance with the general rules issued by TAS. Noncompliance will result in the temporary blocking of access to the digital service. This obligation will enter into force on April 1, 2026.

  In this regard, TAS will issue general rules.

- **Cancellation of CFDI:** CFDIs may be canceled no later than the month in which the annual income tax return corresponding to the fiscal year of issuance must be filed; this deadline is already provided in the Administrative Tax Regulations for 2025.

- **Improper practices in tax procedures:** Knowingly declaring false facts or data, as well as submitting false or altered documentation in any procedure regulated by the FTC is classified as a crime, punishable by imprisonment of three to six years. Prosecution of the offense will be autonomous and independent of the status of the related tax procedure and may therefore be investigated and prosecuted regardless of whether such procedure has begun, is ongoing, or has concluded.

- **Verification of documents issued by public notaries:** TAS is empowered to establish the procedure to require public notaries to state, under oath, the authenticity of documents submitted by taxpayers in their various tax procedures.

- **Removal from the taxpayers registry and grounds to deny registration therein:** The authority may cancel, suspend, or reduce tax obligations if, after a three-fiscal-year period of inactivity, the taxpayer -being under no obligation- has not filed returns, does not appear in third-party filings, has not issued or received CFDIs, has not submitted notices to the taxpayers registry, and has no pending requirements.

  Additionally, registration in the taxpayers registry may be denied to legal entities if their legal representatives, partners, or shareholders are linked to or participate in other legal entities that have serious non-compliance or high-risk tax behavior, such as issuing or deducting nonexistent transactions, having unpaid, guaranteed or binding tax assessments, or being unlocated.

- **Obligations and infractions in the hydrocarbons sector:** CFDIs for hydrocarbons or petroleum products must include the valid permit number of the National Energy Commission. Infractions: $18,360 to $36,740 for omitting or filing volumetric control reports late or responding to requirements after the deadline, and $39,360 to $69,160 plus a double closure period for destroying or altering closure seals, impeding their purpose, or operating during closure.

- **Administrative reconsideration:** Clarified to apply only to resolutions determining tax assessments.

- **Presumption of smuggling and equivalent offenses:** New assumptions of smuggling are incorporated in response to practices detected in customs operations, for example, in *maquiladoras* and exporting companies that abuse preferential schemes.

The amendments made to the FTC will enter into force on January 1, 2026, except for Article 30-B, which will enter into force on April 1, 2026.

III. STPSL:

- **Special Tax on Production and Services ("STPS"):** Various amendments are made to the STPSL. The most relevant include:

  - *Increases in rates and scope expansions:* Increases are made to rates and specific quotas for: **(i)** cigarettes, other manufactured tobacco, and hand-rolled cigars, and other products containing nicotine are incorporated; **(ii)** flavored beverages, which are expanded to beverages with added sugars or sweeteners; and **(iii)** games with bets and raffles, extended to services provided over the internet or electronic means, including non-Mexican providers and those intermediated by digital platforms, which must comply with specific obligations.

  - *New STPS taxable event:* The sale of videogames with violent, extreme, or adult content that is not suitable for minors becomes subject to STPS at an 8% rate. In addition, intermediary platforms will be required to withhold 100% of the STPS collected when processing payments on behalf of providers.

» *Obligations of digital intermediation platforms:* Mexican and foreign digital platforms intermediating (i) online betting and lotteries and (ii) videogames with violent, extreme, or adult content, even if the platform does not process the payment, should comply with withholding obligations and with obligations similar to those under VAT rules for digital services (*e.g.*, taxpayer registration, appointment of legal representative in Mexico, obtaining *e.firma*, periodic reporting, and tax remittance).

The comments herein are for informational purposes only and should not be relied upon for specific cases, as they reflect a conceptual analysis of the provisions and their impact must be assessed on a case-by-case basis.

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