



Newsletter

Tax Practice Group

Tax incentives granted by the Mexican government to encourage investment in the Isthmus of Tehuantepec

The "Decree that promotes the investment of taxpayers that carry out productive economic activities within the Development Poles for the Welfare of the Isthmus of Tehuantepec" (hereinafter, "the Decree"), was published in the Official Gazette of the Federation on June 5, 2023, which entered into effect the day after its publication.

Through such Decree, tax incentives are granted to: **(i)** individuals resident in Mexico; **(ii)** corporations resident in Mexico; and, **(iii)** residents abroad with a permanent establishment in Mexico, that pay taxes as corporations under the general regime, individuals with business and professional activities, and corporations under the simplified trust regime, provided that they obtain income from productive economic activities carried out in the development poles for welfare.

The Ministry of Finance and Public Credit (SHCP) must issue the certificate evidencing the fulfillment of the requirements for the granting of the tax benefits, or the resolution of non-compliance with such requirements, prior opinion issued by the general director of the Inter-Oceanic Corridor of the Isthmus de Tehuantepec.

It is important to note that so far only Coatzacoalcos I, Coatzacoalcos II, Salina Cruz, San Blas Atempa, San Juan Evangelista, and Texistepec have been identified as development poles in the Isthmus de Tehuantepec.

Productive activities within the development poles include the following:

1. Electrical and electronics;
2. Semiconductors;
3. Automotive (electromobility);
4. Auto parts and transportation equipment;
5. Medical devices;
6. Pharmaceuticals;
7. Agribusiness;

8. Electric power generation and distribution equipment (clean energies);
9. Machinery and equipment;
10. Information and communication technologies;
11. Metals and petrochemicals; and
12. Any other not included above, as determined by the Governing Board of the Interoceanic Corridor of the Isthmus of Tehuantepec.

The tax incentives granted consist of:

1. A tax credit equivalent to 100% of the income tax incurred during the first three (3) fiscal years.
2. A tax credit equivalent to 50% of the amount of the income tax incurred or up to the equivalent of 90% when the minimum employment levels are exceeded, during the three (3) subsequent fiscal years.
3. For six (6) fiscal years, they may immediately deduct 100% of the original investment amount of new fixed assets used to carry out productive economic activities.
4. A tax credit equivalent to 100% of the value-added tax creditable against the tax payable on: **(i)** the sale of goods; **(ii)** the rendering of independent services; and **(iii)** the granting of the temporary use or enjoyment of goods, during a period of four (4) years.

It should be noted that those who choose to apply any of the aforementioned incentives may not jointly apply for the following benefits:

- Benefits for companies with maquila operations.
- The optional regime for groups of companies.
- The tax incentive for trusts dedicated to the acquisition or construction of real estate.

- Tax incentives for the production and distribution of national cinematographic and theatrical productions.
- The tax incentive for research and development of technology in the Income Tax Law.
- The tax incentive for high-performance sports.

Additionally, the SHCP must issue the guidelines to obtain the tax benefits and administrative facilities within ninety (90) calendar days after the Decree becomes effective.

Finally, the tax incentives granted by the Mexican Government to encourage investment in the zone of the Isthmus of Tehuantepec could be incompatible with the Pillar 2 model rules of the OECD, better known as “global anti-base erosion rules” or “GloBe rules”, these rules seek to incorporate a global minimum tax of 15% applicable to multinational companies with consolidated group revenues exceeding EUR 750 million, under the mechanics of Pillar 2, if the tax is not triggered in Mexico (by the application of the above mentioned Decree), said tax should be levied in the country of the shareholders of the Mexican company under an income inclusion rule.

We hope that the information contained in this bulletin has been useful. We are at your service to expand our comments in relation to the above-mentioned Decree.

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