

2023 – 10 Tax Consulting

Tax benefits for key sectors of the export industry

On October 11th, 2023, the “Decree granting tax benefits to key sectors of the export industry comprising the immediate deduction of investments in fixed new assets and the additional deduction of staff training expenses” (hereinafter referred to as the “Decree”) was published in the Official Gazette of the Federation, entering into force on October 12th, 2023.

The Decree aims to grant companies seeking to optimize its operations in Mexico through nearshoring strategies and to those located in Mexico, belonging to key sectors of the export industry, two benefits, consisting in performing an immediate deduction of investments in new fixed assets, as well as an additional deduction equal to 25% of the training expenses invested in employees.

The highlights of both benefits are discussed below.

a) Immediate deduction of fixed assets

The immediate deduction of new fixed assets can be applied by Mexican resident corporations or individuals that carry out business activities in Mexico, that engage in the production of certain key sectors of the export industry (food products for humans or animals; raw materials for the pharmaceutical industry; electronic components; electronic medical equipment; automotive industry, trucks or aircraft engines; parts for automobiles, trains, ships and aircraft, among others), that effectively export such products.

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The incentive is applicable to investments in new fixed assets acquired from the entry into force date of the Decree through December 31st, 2024, that are exclusively used in the activities referred to above, and only to the extent taxpayers estimate that, during 2023 and 2024, the income derived from the exports of the referred goods will account for at least 50% of their total revenue in each tax year.

If the threshold referred to above is not met, the incentive will be terminated and taxpayers will be required to pay the corresponding income tax, adjusted with Mexican inflation and interest.

As a rule, the tax benefit will only be applicable to fixed assets that taxpayers keep using during a period of at least two consecutive years after the year in which the immediate deduction is applied.

Certain fixed assets are excluded from this benefit, such as office furniture and equipment, internal combustion engine-powered automobiles, car armor equipment, aircraft (other than for agricultural fumigation) or any other fixed assets that cannot be individually identified.

Certain provisions are included for applying this benefit in the advanced income tax payments determination, as well as to specify the type of information and documentation that taxpayers should keep as part of a registry of investments when opting for this benefit.

b) Additional deduction for staff training expenses

Furthermore, the taxpayers referred to in the previous section are allowed an additional deduction for tax years 2023, 2024 and 2025, equivalent to 25% of the incremental employee training expenditure. The incremental employee training expenditure is determined as the positive difference between the expense incurred during a given year, and the average expense incurred during 2020, 2021 and 2022.

Only the expenditures on technical and scientific training related to the taxpayers' business are considered for this benefit, to the extent the beneficiaries are employees duly registered before the Mexican Social Security Institute. Certain formal obligations are required to apply this benefit.



c) Other Considerations

Exceptions for the application of Decree benefits are provided for taxpayers involved in certain misconducts punishable under the Federal Tax Code related to the issuance of tax invoices for non-existent transactions, or in the case of corporations that are being terminated.

Certain formal requirements are provided to apply the Decree benefits, among other, to submit a notice in due time and in proper form stating that they elect to apply the tax benefits referred to in the Decree within thirty calendar days immediately following the month in which they apply the benefits for the first time.

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Mexico City

October 2023

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