



Tax Insights
from International Tax
Services

Mexico's 2027 Economic Package

September 21, 2026

In brief

What happened?

The Federal Executive submitted Mexico's 2027 Economic Package to Congress on September 8, 2026, initiating the legislative process for the proposed tax and revenue measures applicable to fiscal year 2027. The package includes, among other documents, the General Economic Policy Guidelines, the Federal Revenue Law Bill, proposed amendments to the Income Tax Law, and proposed amendments to the Federal Duties Law.

Why is it relevant?

Based on our initial review, the proposal does not introduce new general taxes or increase existing tax rates. However, consistent with the current administration's approach, it appears focused on strengthening enforcement and anti-abuse measures, including proposals that could limit certain deductions and the utilization of net operating losses, among other changes.

While these measures generally would be expected to become effective January 1, 2027, they remain subject to congressional discussion, approval, and publication in the Official Gazette of the Federation. Accordingly, the scope, mechanics, exceptions, and transitional rules may still change as part of the legislative process.

The following summary of the proposed tax changes may be particularly relevant to multinational groups

with a Mexican presence, including from both an inbound and outbound investment perspective. This summary is not an exhaustive overview of all proposed changes, but rather highlights those provisions that may be most relevant to multinational groups and cross-border investments involving Mexico.

Actions to consider

While the potential impact of these proposals should be assessed individually, together they reflect a broader shift toward stricter enforcement and narrower tax positions for companies operating in Mexico. We recommend that groups with a Mexican presence begin a preliminary review of how these changes could affect their business and tax profile, so that the relevant impact can be properly scoped and any necessary steps identified well ahead of the measures' expected effective date.

In detail

Proposed minimum taxable income mechanism--limitations on deductions and tax-loss carryforwards

The economic package introduces an integrated mechanism intended to ensure that certain Mexican corporate taxpayers recognize a minimum level of taxable income and, consequently, generally pay a minimum amount of corporate income tax for the year.

The proposed rules would apply to Mexican-resident companies with annual taxable revenues exceeding MXN 50 million and that recognize a taxable profit in the relevant fiscal year. The mechanism would operate under a two-pronged approach: first, through a limitation on current-year deductions and, second, through a limitation on the use of tax-loss carryforwards generated in prior years.

Limitation on current-year deductions

The amount of otherwise allowable deductions would be subject to the following limits:

- Where total deductions are equal to or less than 96.67% of annual taxable revenues, the deductible amount would be limited to 99% of those deductions.
- Where total deductions exceed 96.67% of annual taxable revenues, the deductible amount would be capped at 96.67% of those revenues.

Depending on the taxpayer's level of deductions, the proposal would therefore either defer 1% of otherwise allowable deductions or require the taxpayer to recognize a minimum taxable profit equal to approximately 3.33% of its taxable revenues, before taking into account available tax-loss carryforwards.

Deductions that cannot be claimed in the relevant year solely because of these limitations would not be permanently lost; instead, they generally could be carried forward and deducted during the following 20 fiscal years, subject to the conditions and utilization rules set forth in the initiative.

Limitation on tax-loss carryforwards

After applying the limitation on current-year deductions, the use of tax losses generated in prior years, generally comparable to net operating loss carryforwards (NOLs), would be limited to 50% of the resulting taxable profit for the year.

Accordingly, even where a taxpayer has sufficient tax-loss carryforwards to fully offset its adjusted taxable profit, it generally would be required to keep at least 50% of that amount as taxable income.

Tax losses that cannot be used because of this annual limitation would remain available for subsequent years under the generally applicable carryforward rules, including the relevant expiration periods and other statutory requirements.

The initiative also includes:

- transitional rules for tax losses generated through December 31, 2026;
- certain exceptions, including, but not limited to, a proposed exclusion for newly incorporated entities during their first five years of existence, subject to specific requirements; and
- adjustments to the calculation of monthly estimated corporate income tax payments, intended to reflect the relevant limitation during the year and reduce differences between monthly payments and the final annual tax liability.

What we would suggest reviewing

Consider whether the applicable Mexican company would fall within the scope of these rules and, if so, which deduction limitation would apply based on its actual figures. The impact could be particularly relevant for companies with accumulated tax losses, as taxpayers that currently pay little or no corporate income tax could begin generating a cash tax liability even without any change in their underlying operations.

Capital Contributions Account (CUCA) and capital reductions

CUCA generally represents capital contributed by shareholders that may be redeemed without being treated as a deemed dividend for tax purposes. The proposal would tighten the rules regarding what may be included and considered as part of this balance. Accrued but unpaid interest, and the related Value Added Tax (VAT) on capitalized debt, would no longer increase CUCA, and in-kind contributions of receivables would count towards that balance only once the underlying amount is actually cash-collected.

The proposal also would clarify that CUCA is reduced when the reimbursement is paid or when the capital reduction is actually executed, including reimbursements applied against accumulated losses, even if no cash is distributed to the shareholder.

There is no specific transition rule for CUCA balances accumulated pre-2027, so it is not yet clear how existing balances that include these items would be treated.

What we would suggest reviewing

If a capital reduction is already being considered, taxpayers may want to assess the potential impact of the new rules and whether there is a business rationale for completing the transaction before year-end. Taxpayers also should consider reviewing how their current CUCA balance is built, to identify any amounts that potentially could be impacted by the new rules, as well as assessing the potential impact on any capital contribution contemplated beginning in fiscal year 2027.

Outside tax basis of shares

Consistent with the limitations and exclusions applicable for the CUCA balance, the proposal would limit the items that may increase the tax basis of shares, excluding, among others, capitalized interest and related VAT, as well as certain in-kind contributions until cash is effectively collected. As a result, the measure could increase the taxable gain on future share transfers and affect structures involving capitalized liabilities or non-cash contributions.

What we would suggest reviewing

Any existing or planned structures involving capitalized liabilities, in-kind contributions, or future share transfers that could be affected by a lower outside tax basis for Mexican tax purposes should be considered.

New requirements for deducting payments to non-residents

Under the current rules, Mexican companies generally can deduct expenses accrued with non-Mexican residents, subject to compliance with the applicable withholding requirements. The proposal would change the timing of that deduction so that payments to foreign residents would only be deductible in the fiscal year in which the consideration is actually paid and the corresponding withholding tax is remitted.

Separately, the proposal would accelerate the withholding obligation. Currently, withholding is generally triggered at the earlier of payment or enforceability. The proposal would add accrual as a third triggering event, so withholding would become due at the earliest of accrual, enforceability, or payment.

These two changes could create a timing mismatch: on the one hand, withholding tax may need to be paid before the underlying expense becomes deductible in Mexico; on the other hand, the deduction would still require actual payment of the consideration.

Observation: The primary objective of this measure appears to be to prevent Mexican taxpayers from deducting outbound payments that have neither been paid nor had the corresponding withholding tax remitted to the Mexican tax authorities, on top of the already applicable BEPS-inspired rules in effect.

What we would suggest reviewing

Taxpayers should consider reviewing existing and recurring payments to non-Mexican tax residents, particularly related-party payments such as royalties, technical assistance, management or service fees, commissions, and similar charges. The review should focus on the timing of accrual, enforceability, and actual payment of these amounts, as well as the timing of any associated withholding tax remittances and the documentation supporting their deductibility. Taxpayers should pay particular attention to aged or long-outstanding balances to determine whether to revisit payment terms, calendars, or intercompany policies before the new rules become effective.

Reduced limitation on net interest deductions

The current limitation on the deduction of net interest expense would be reduced from 30% to 20% of adjusted taxable income, which broadly operates as a tax EBITDA-based measure. The remaining mechanics of the rule would generally remain unchanged, including the MXN 20 million group threshold and the 10-year carryforward period for non-deductible interest.

What we would suggest reviewing

Taxpayers should consider assessing the potential impact on Mexican entities with significant interest expense, particularly those with existing or contemplated financing arrangements. It also will be important to consider how this rule interacts with the new overall deduction limitation described above. A lower amount of deductible interest could affect the level of total deductions used in determining which limitation applies. Accordingly, taxpayers may want to model the application of both limitations together to understand their combined impact.

Broader definition of non-deductible items for CUFIN purposes

CUFIN (After-tax Earnings Account) generally tracks profits that have already been subject to Mexican corporate income tax and may therefore be distributed without triggering additional corporate-level income tax. Under the current rules, certain non-deductible items must be reduced when computing CUFIN. The proposal would expressly clarify that this includes not only items specifically treated as non-deductible under Article 28, which includes a list of all the non-deductible expenses, but also any expense that fails to meet the applicable tax deductibility requirements.

The practical effect is that expenses that were economically incurred but ultimately denied as deductions also could reduce CUFIN. A lower CUFIN balance could, in turn, result in a larger portion of future distributions being treated as taxable dividends or reduce the capacity of Mexican entities to pay dividends without triggering corporate income tax effects.

Observation: An important point is how the proposal is framed. Rather than presenting this as a new rule, the explanatory statement indicates that taxpayers have been applying an incorrect interpretation of the current provision and describes the amendment as a clarification of what was already intended under existing law. There also is no specific transition rule for CUFIN balances accumulated through 2026. This

could strengthen the tax authorities' position that the broader interpretation was already applicable in prior years, particularly for years that remain open to audit.

What we would suggest reviewing

Taxpayers should review the existing CUFIN balance and the non-deductible items historically considered in the calculation, to determine whether there could be a material difference under the broader interpretation. This assessment becomes particularly relevant where distributions are planned or where the CUFIN balance is significant. If there is material exposure, we also would suggest documenting the position followed in prior years before it becomes part of an audit discussion.

Advance payments for services and leases

Advance payments for services and leases no longer would be deductible when paid; instead, they would be deductible as the service is actually received or the relevant lease period elapses. For contracts covering more than one fiscal year, the deduction would need to be allocated to the corresponding periods.

Advance payments for goods generally would remain subject to the current rules. The proposal also states that the new treatment would apply only to advances made after the rule becomes effective, so amounts properly deducted before then would retain their existing treatment.

What we would suggest reviewing

Taxpayers should review any year-end practice of prepaying services or rent, as well as multi-year service and lease agreements that may require a different timing of deductions going forward.

Value Added Tax (VAT) on digital platforms

The Federal Revenue Law Bill proposes a 2.5% corporate income tax (CIT) withholding rate applicable to the sale of goods and the provision of services carried out by legal entities and individuals engaged in business activities through technology platforms. If legal entities do not provide their Federal Taxpayer Registry (RFC) number to the relevant platform, the withholding rate would increase to 20%.

In addition, non-residents without a permanent establishment in Mexico, as well as Mexican residents providing intermediation services through technology platforms, would be required to withhold 100% of the VAT collected when they receive the price and the VAT. This rule would apply in the case of non-residents without a permanent establishment in Mexico, and also when transaction amounts are deposited into bank or deposit accounts located abroad.

What we would suggest reviewing

Taxpayers should review the current operating model for sales or services performed through digital platforms, including whether the relevant entities act as sellers, service providers, or intermediaries, and whether payments are collected directly or through the platform.

IPO tax incentive

The Federal Revenue Law Bill includes a new proposed tax incentive applicable to gains derived from the sale of shares in connection with an initial public offering (IPO) of a Mexican issuer. This benefit is consistent with the one that was previously available under a Decree, which was valid until December 31, 2025.

In broad terms, the proposal would allow a preferential 10% tax treatment for qualifying share disposals, subject to various conditions relating to, among others, the characteristics of the issuer, the way in which the shares are offered and placed, the absence of a change of control, and compliance with specific securities market requirements.

It also contemplates favorable treatment for certain foreign investors resident in treaty jurisdictions, provided the relevant conditions are met. If enacted, this measure could become relevant for future IPO and exit transactions involving Mexican issuers.

What we would suggest reviewing

Taxpayers should review any current or contemplated IPO, exit, or share sale transaction involving a Mexican issuer that potentially could benefit from the proposed preferential tax treatment.

Cash repatriation

A temporary tax benefit has been proposed for individuals and legal entities that repatriate into Mexico funds of lawful origin that were held abroad as of September 8, 2026. In broad terms, the proposal would allow qualifying taxpayers to pay income tax at a preferential 7.5% rate, without deductions, provided that the applicable requirements and conditions are met.

The benefit would apply if the funds are (1) invested in Mexico, (2) allocated to productive activities or other eligible categories specifically contemplated in the proposal, (3) remain invested for a minimum three-year period, and (4) comply with the applicable reporting and documentation requirements, which is similar and consistent with prior considerations and requirements.

The eligible investment categories include, among others:

- Food production
- Roads, water, railways, ports, and airports
- Mixed investment projects
- Schools and hospitals
- Housing construction
- Manufacturing of consumer goods

- Pharmaceutical production and medical equipment
- Government debt instruments
- Technological development and innovation

What we would suggest reviewing

Taxpayers should review any offshore cash or funds of lawful origin that may be considered for repatriation to Mexico, together with the intended use of those funds, the timing of the investment, and whether the proposed requirements could be met in order to access the preferential tax treatment.

Let's talk

For a deeper discussion of how this Economic Package might affect your business, please contact:

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