

Mexico Alert: 2024 Economic Package

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On Sept. 8, 2023, the Federal Executive presented Mexico's Economic Package for 2024, which in principle does not contemplate increases or new taxes. Below are the most relevant aspects of the package:

I. General Economic Policy Criteria

The General Economic Policy Criteria base fiscal policy on the following pillars: (i) strengthening revenue sources by combating tax evasion and avoidance; (ii) efficiently managing public spending with a focus on austerity and anti-corruption; and (iii) responsibly managing public debt.

The criteria include the following macroeconomic variables for 2024:

- (a) Economic growth range of 2.5% to 3.5%.
- (b) Average inflation of 4.5%.
- (c) Average nominal 28-day CETES interest rate of 10.3%.
- (d) Average exchange rate (Mexican peso - U.S. dollar) of 17.1
- (e) Average oil price of US\$56.7 dollars per barrel.

II. Federal Income Law (FIL)

Interest Surcharge and Withholding Fees

For the extension of payment of taxes due, the surcharge rates in 2024 will remain the same as fiscal year 2023:

- 0.98% per month on unpaid balances.
- 1.26% per month for installment payments of up to 12 months.
- 1.53% per month for installment payments of more than 12 months and up to 24 months.
- 1.82% per month for installments and deferred payments over 24 months.

Tax Incentives

The tax incentives of 2023 remain unchanged for 2024.

Withholding and payment of income tax on interest paid by the financial system

The annual withholding rate for 2024 will be increased to 1.48%, whereas in 2023 it was 0.15%.

Investors who receive interest on bank promissory notes, CETES, and other bonds and fixed-

income products in the Mexican financial system will have to allocate a greater portion of their interest earnings to the payment of taxes.

Tax collection measures and enforcement actions

The Economic Package contemplates growth in tax revenues for 2024 based on the performance of economic activity, improvements in collection efficiency, and the application of certain tax measures to reduce tax evasion and avoidance, such as the general anti-abuse rule, the limitation of base erosion by interest, and compliance with obligations regarding the controlling beneficiary, among others.

In view of the foregoing and in conjunction with the various documents and communications previously published by the Tax Administration Service (i.e., the Master Plan for Tax Auditing and Collection), we anticipate an increase in actions by the tax authorities, exercised jointly by the General Tax Administration, Large Taxpayers Administration, the Federal Tax Audit, and the Foreign Trade Audit.

Some of the matters under review will be:

- Domestic and international corporate restructurings.
- Preferential tax regimes and tax transparency regimes.
- Application of 0% VAT rate.
- Transactions through trusts.
- Foreign payments.
- Financing.
- Capitalization of liabilities and compliance with auditor certification.
- Subcontracting regime.
- Return of temporary imports.
- Compliance with IMMEX regime.
- Imports and undervaluation, imports and use of Incoterms ("incremental items").
- Imports and tariff origin compliance.
- Compliance with labeling regulations ("NOMS").
- Proof of obtaining the necessary permits to import.
- Compliance with Controlling Beneficiary obligations.

Accordingly, it is advisable to review operations and possible target areas, in order to be fully prepared in the event of possible audits.

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For more information, please contact any of the attorneys listed below.