



GOBIERNO DE  
**MÉXICO**

**ECONOMÍA**  
SECRETARÍA DE ECONOMÍA

# Tax Incentives for Investment



## INTRODUCTION

The Secretariat of Economy is responsible for promoting industrial policy and attracting sustainable investments under an economic model with more social justice, humanism, and well-being, which will trigger the orderly economic development of its regions and generate quality and well-paid employment.

Mexico is at an unbeatable moment, its economic and social stability, in addition to its competitive advantages such as Mexican talent, geographic location and administrative facilitation mechanisms as the One-stop Shop for Investors, position it as one of the most attractive destinations for investment in the face of the nearshoring phenomenon.

In addition, Mexico has incentives that help attract investment, which don't respond to situational scenarios, but rather to the needs of public policies that have been consolidated over time and have allowed the development of strategic industries such as the automotive, electrical, and electronics, aerospace and semiconductor ones.

This publication presents a comprehensive overview of the main incentives in force at the federal level, from regional incentives to incentives for specific industries such as automotive or semiconductors, which will allow the investor to know in a general way one more element of the advantages offered by our country.



**Secretariat of Economy**  
Undersecretariat of Foreign Trade  
Global Economic Intelligence Unit

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## WHY ARE INVESTORS TURNING TO MEXICO?



**Mexico is the 12th largest economy in the world**  
(1.8 trillion dollar GDP in 2023)



**Mexico has 14 Free Trade Agreements**  
with 50 countries

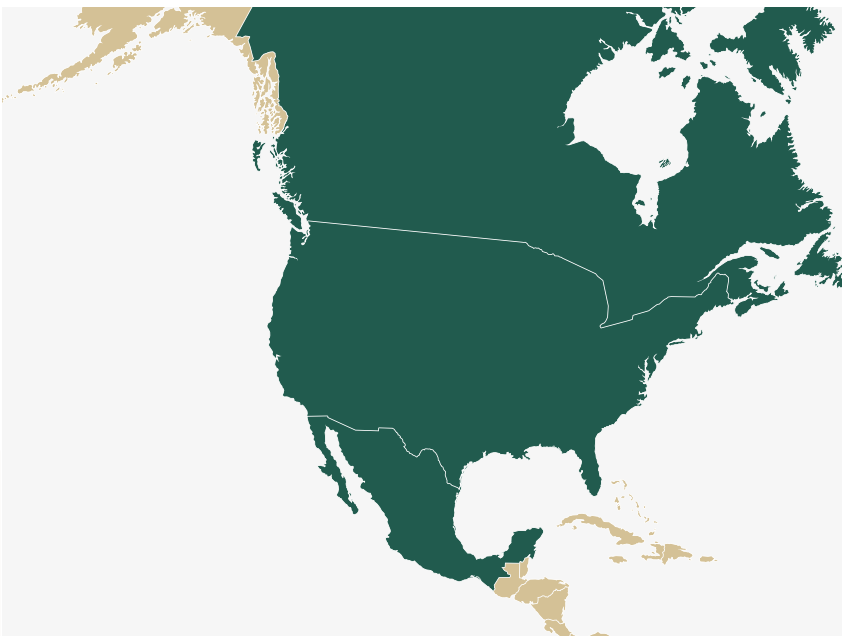
**30 Investment Promotion and Protection Agreements**  
with 31 countries



As of December 2023, accumulated sales in self-service stores were equivalent to **90 billion dollars, 23 % higher than in 2022** in the same period



This gives us access to **1.3 billion of potential consumers**



As of December of 2023, we have consolidated ourselves position as the **main trading partner of US:**



**Mexico**  
798.8 billion USD (15.7 %)



**Canada**  
774.3 billion USD (15.2 %)



**China**  
575.0 billion USD (11.3 %)

Sources: IMF, INEGI GDP, Secretariat of Economy, ANTAD, CENSUS, US Census 2023, BANXICO | Exchange rate





## FEDERAL INCENTIVES

### Foreign Trade Promotion Programs

#### The Manufacturing, Maquiladora and Export Service Industry Program (IMMEX by its Spanish acronym)<sup>1</sup>



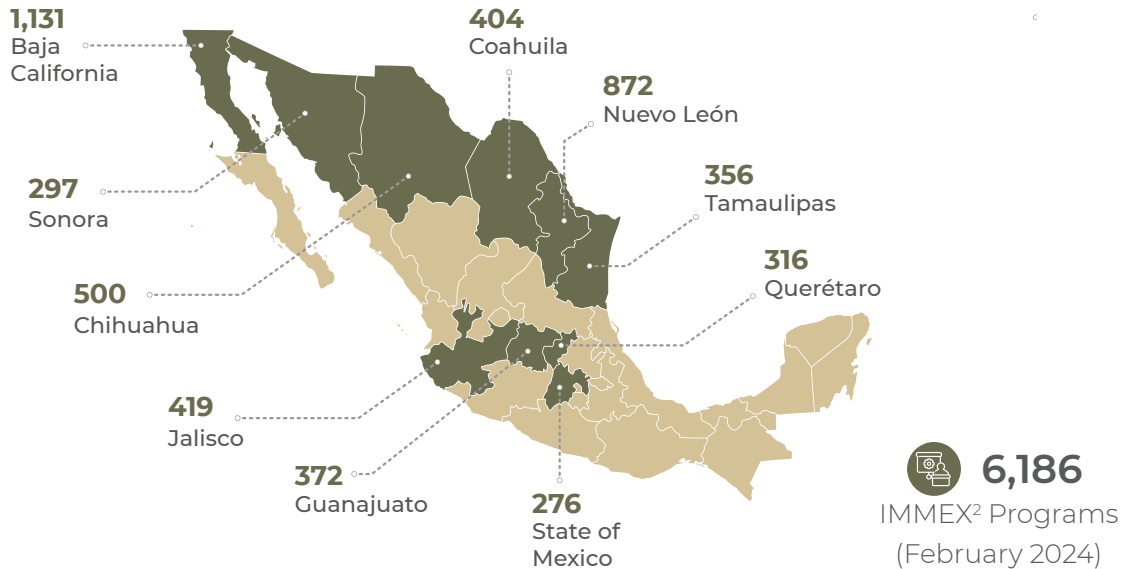
It is an instrument to promote exports that can be used by companies that import merchandise temporarily and carry out an industrial or service process aimed at the production, transformation or repair and/or the praimedovision of export services.

Provides the possibility of importing goods under a temporary regime, deferring or exempting the payment of the general import tax, VAT and, if applicable, countervailing duties.

**This applies to legal entities:**

- Producers residing in national territory
- Export service providers

#### Federal entities with the greatest participation in the program IMMEX



#### Income per company participating in the program IMMEX<sup>3</sup> (January 2024)

##### By source of income:



**20,812**  
**M USD**

Foreign



**15,911**  
**M USD**

Domestic

##### By type of income:

**33,711**  
**M USD**

Manufacturing



**3,012**  
**M USD**

No manufacturing



<sup>1</sup> Secretariat of Economy | National Foreign Trade Information Service (snice.gob.mx)

<sup>2</sup> Secretariat of Economy | National Foreign Trade Information Service (snice.gob.mx) | Current Authorized Programs IMMEX | February 2024

<sup>3</sup> INEGI (inegi.org.mx) | Manufacturing, Maquiladora and Export Service Industry Program | January 2024

## Sector Promotion Programs (PROSEC by its Spanish acronym)<sup>4</sup>



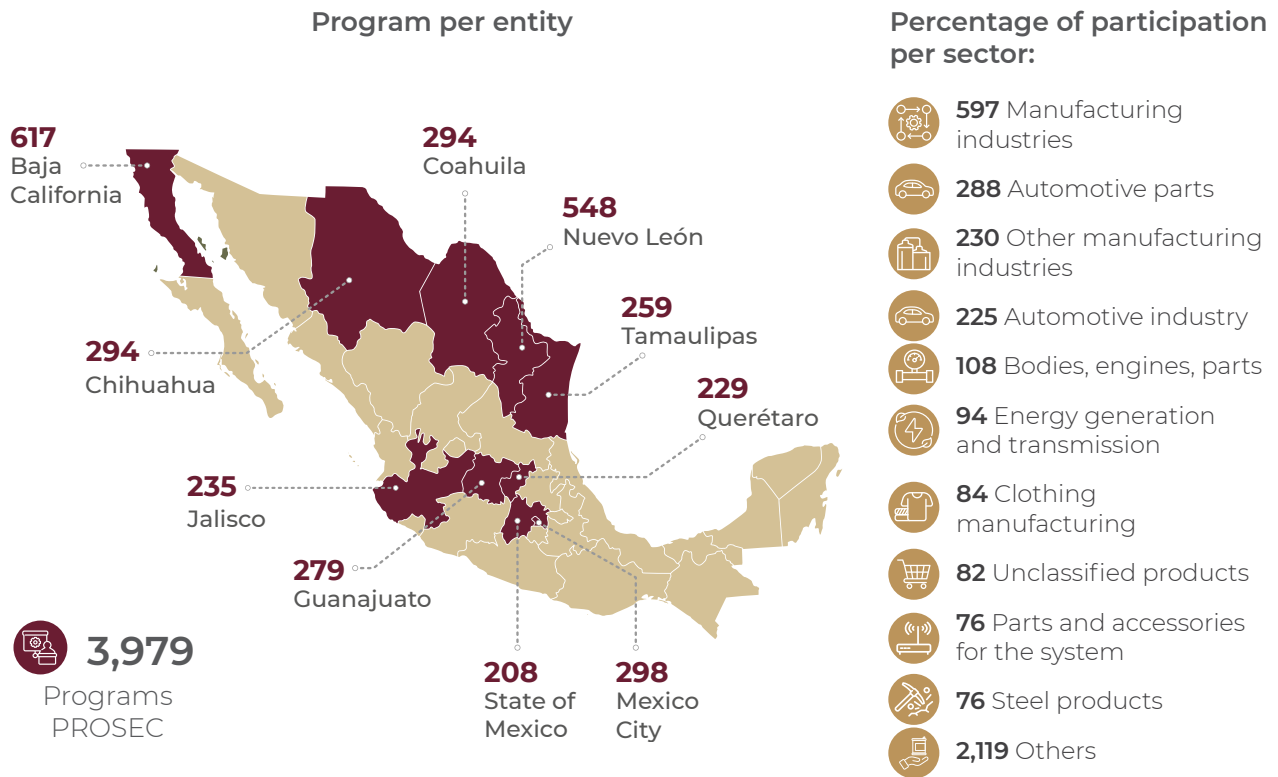
It is an instrument that benefits legal entities that produce certain goods, through which they are allowed to import various goods with preferential tariffs, to be used in the production of specific products, regardless of whether the final products are destined for export or for the domestic market.

**The Authority responsible for issuing, regulating and operating the authorizations of the IMMEX and PROSEC programs** is the Secretariat of Economy, through the General Directorate of Trade Facilitation and Foreign Trade.

▼ **Applies to legal entities** which manufacture goods from 24 **PROSEC<sup>5</sup>** sectors, among others:

- ▶ Electric Industry
- ▶ Electronic Industry
- ▶ Mining and Metallurgical Industry
- ▶ Agricultural Machinery Industry
- ▶ Pharmaceutical Products, Medicines and Medical Equipment Industry

The IMMEX and PROSEC programs are processed online through the Foreign Trade Single Window (VUCEM by its Spanish acronym).



<sup>4</sup>Secretariat of Economy | National Foreign Trade Information Service (snice.gob.mx) | Current Authorized Programs PROSEC | February 2024

<sup>5</sup> PROSEC Sectors: 1.Furniture Industry, 2.Toy, Recreational Games and Sporting Goods Industry, 3.Footwear Industry, 4.Capital Goods Industry, 5.Photographic Industry, 6. Various Industries, 7. Chemical Industry, 8. Rubber and Plastic Manufacturing Industry, 9.Steel Industry 10.Transportation Industry, except the Automotive Industry Sector and Auto Parts, 11 Paper and Cardboard Industry, 12.Wood Industry, 13.Of Leather and Hide Industry, 14.Automotive and Auto Parts Industry, 15. Textile and Clothing, 16. Chocolate, Sweets and Similar Industry, 17.Coffee Industry, 18. Food Industry, 19 Fertilizer Industry.



## Non-tariff measures for Foreign Trade<sup>6</sup>

### Rule 8th



It is an import permit granted by the Secretariat of Economy whose objective is to support the competitiveness of the national industry by applying **preferential tariffs on the import of machinery and inputs** used in the production and assembly of merchandise, classifying them in any of the 25 tariff fractions of the match 98.02.<sup>7</sup>

Depending on the import regime (temporary or permanent), it is necessary to have a Sector Promotion Program (PROSEC) and in the specific case of the temporary regime, it is required to have a program IMMEX.

### Certificate of Origin



It is a document that is used to obtain preferential treatment in exports under any of the International Treaties to which Mexico is a party.

In all cases, it is necessary to carry out the Eligibility Registry that allows verifying whether the product to be exported complies with the rule of origin of the Free Trade Agreement or Treaty to which the good will be exported.

### Quotas



It is the amount of a merchandise that may be exported or imported, either **maximum** (once the limit is reached, the import or export of the merchandise will not be allowed) or within a **tariff-quota** (outside the quota, the merchandise could be imported paying the corresponding tariff).

- An **import quota** allows a certain amount of a product or merchandise to enter the country with a lower tariff than that applied to merchandise that is imported without this benefit.
- An **export quota** provides the opportunity for national merchandise to reach foreign markets under preferential conditions compared to competitors from other countries.

The quotas may have particularities that are specified in their Agreement; generally, their procedure is carried out in two steps:



#### Step 1.

Allocation of quota through the mechanisms of Public Bidding, Direct Award, First in Time, First in Law or a combination of these.



#### Step 2.

QUOTA certificate issuance.

<sup>6</sup> Secretariat of Economy | National Foreign Trade Information Service (snice.gob.mx) | Non-tariff measures for Foreign Trade

<sup>7</sup> Tariff fractions of Rule 8th: 1. Electrical; 2. Electronics; 3. Furniture; 4. Toys, Recreational Games, and Sports Goods; 5. Footwear; 6. Mining and Metallurgy; 7. Capital Goods; 8. Photography; 9. Agricultural Machinery; 10. Miscellaneous; 11. Chemicals; 12. Rubber and Plastic Manufactures; 13. Steel; 14. Pharma Chemical Products, Medications, and Medical Equipment; 15. Transportation, except the Automotive and Auto Parts Industry Sector; 16. Paper and paperboard; 17. Wood; 18. Leather and hide; 19. Automotive and Auto Parts; 20. Textile and Clothing; 21. Chocolate, Sweets, and the like; 22. Coffee; 23. Food.

## REGIONAL FEDERAL INCENTIVES

### Interoceanic Corridor of the Isthmus of Tehuantepec (CIIT by its Spanish acronym)<sup>8</sup>

#### Development Hubs for Well-being



It comprises 10 Development Hub for Well-being, located in:

#### Veracruz

- Coatzacoalcos I
- Coatzacoalcos II
- Texistepec
- San Juan Evangelista

#### Oaxaca

- Salina Cruz
- Matías Romero (Donají)
- Ixtaltepec (Chivela)
- San Blas Atempa
- Ciudad Ixtepec
- Santa María Mixtequilla

<sup>8</sup> DECREE that encourages investment by taxpayers who carry out productive economic activities within the Development Hubs for the Well-being of the Isthmus of Tehuantepec | OGF 06/05/2023 ([www.dof.gob.mx](http://www.dof.gob.mx))  
GUIDELINES for the granting of tax benefits to taxpayers who carry out productive economic activities within the Development Hubs for the Well-being of the Isthmus of Tehuantepec | OGF 09/01/2023 ([www.dof.gob.mx](http://www.dof.gob.mx))



### Accelerated depreciation



Accelerated depreciation of investments in the first 6 years of operation.

### Value Added Tax



The operations within and between Hubs will not pay VAT for 4 years. Return of VAT paid on purchases made outside the Hubs will be allowed.

### Income Tax



100 % Income Tax discount in the first 3 years of operation. 50 % in the following 3 years; however, if employment goals are exceeded, the discount may reach up to 90 %.

Secretariat of Finance and Public Credit will request minimum employment levels to obtain tax benefits, in accordance with the economic activity they carry out.

The aforementioned incentives apply to taxpayers who carry out **any of the following economic activities** within the Development Hubs for Well-being:



Electrical and electrical



Semiconductors



Automotive (EVs, auto parts and transport equipment)



Medical devices



Pharmaceutical



Agroindustry



Electrical energy generation and distribution equipment (clean energy)



Machinery and equipment



IT and communication



Metals



Petrochemicals







## Northern and Southern Border<sup>9</sup>



### Value Added Tax (VAT)



Tax credit of 50 % VAT, which will result in a reduced rate of 8 %.

#### Applies to natural or legal persons dedicated to:

- ▶ Acts or activities consisting of the alienation of goods.
- ▶ Provision of independent services.
- ▶ Granting of the temporary use or enjoyment of goods, in branches, premises or establishments located at the borders.

You must have a tax domicile, branch, agency, or establishment within the northern or southern border region.

### Income TAX



Tax credit equivalent to **one third of the Income Tax** in the fiscal year or in the provisional payments.

#### Applies to:

- ▶ Individuals with business and professional activities.
- ▶ Legal entities.
- ▶ Residents abroad with a permanent establishment in Mexico.
- ▶ Those who receive income exclusively in the border region from business activities.

The income obtained in the border region must be at least 90 % of the total profits.

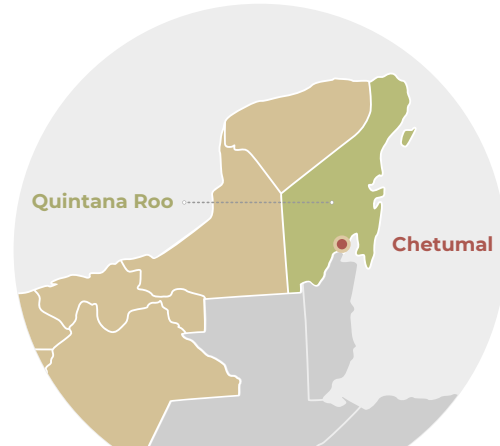
<sup>9</sup>Tax Administration Service | Tax incentives for the northern and southern border region ([sat.gob.mx](http://sat.gob.mx))  
 DECREE on fiscal stimuli for the northern border region | OGF 12/31/2018 ([dof.gob.mx](http://dof.gob.mx))  
 DECREE on fiscal stimuli for the southern border region | OGF 12/30/2020([dof.gob.mx](http://dof.gob.mx))



## Chetumal free zone<sup>10</sup>

Tax incentives are granted to taxpayers, legal entities, or individuals that are located and trade certain goods or services (according to specific tariff items),<sup>11</sup> in the Chetumal border region, such as:

- Machinery and equipment commercialization.
- Pharmaceutical products commercialization.
- Construction materials commercialization.
- Repair and maintenance of automobiles.



**Validity:**  
January 1st, 2021 to December 31st, 2024.

### General Import Tax



**100 % tax credit** of general import tax on foreign goods other than those inside passengers' luggage, imported definitively into the Chetumal border Region.

### Customs Process Duty



**Credit equivalent to 100 %** of the customs process duty for definitive imports made in the Chetumal border Region, of the goods included in the Decree.



**200,417**

Total number of beneficiaries 2023<sup>12</sup>



**189,021**

Northern border



**11,396**

Southern border

Concept	Number of beneficiaries			
	2020	2021	2022	2023
<b>Northern Border Region</b>				
<b>Total</b>	<b>135,511</b>	<b>155,608</b>	<b>175,135</b>	<b>189,021</b>
VAT	132,852	152,221	172,095	185,862
Income Tax	2,659	3,387	3,040	3,159
<b>Southern Border Region</b>				
<b>Total</b>	<b>-</b>	<b>9,480</b>	<b>11,047</b>	<b>11,396</b>
VAT	-	8,336	10,358	10,766
Income Tax	-	1,144	689	630

<sup>10</sup> DECREE Chetumal free zone | Official Gazette of the Federation 12/31/2020 (dof.gob.mx)

<sup>11</sup> Total tariff items: 1,307

Modifications to the DECREE of Chetumal Free Zone | OGF 11/18/2022 (dof.gob.mx)

<sup>12</sup> Tax Administration Service (sat.gob.mx) | Tax and Management Report (2023)



## SPECIFIC INCENTIVES

### Export industry<sup>13</sup>

It consists of an immediate deduction on the Income Tax that may range from 56 % to 89 %, applicable to the investment in new fixed assets, which have been acquired from October 12, 2023 to December 31, 2024.

#### Applies to taxpayers

- Legal entities and the Simplified Regime of Trust for legal entities
- Individuals with business and professional activities.
- Dedicated to the production of goods belonging to the strategic sectors and whose income from the exports of such goods represents at least 50 % of their total turnover each year.

An additional deduction of 25 % of the expenses allocated to training workers is granted with respect to the average expense of the three previous years.

#### Key sectors of the export industry:

- Electronic components (semiconductors)
- Electrical and electronic equipment and automotive parts, trains, ships and aircraft
- Pharmaceutical industry
- Measuring, control and navigation instruments, and medical equipment
- Engines for cars, vans and trucks
- Batteries and accessories for electrical installations
- Non-electronic equipment and devices for medical use
- Aircraft engines
- Human and animal food
- Fertilizers and agrochemicals

The training stimulus will be applied for three years (2023, 2024 and 2025).



<sup>13</sup> DECREE by which fiscal incentives are granted to key sectors of the export industry consisting of the immediate deduction of investment in new fixed assets and the additional deduction of training expenses | OGF 10/11/2023 (dof.gob.mx)





## R & D

### Technology research and development



Tax credit equivalent to 30 % of the expenses and investments for Income Tax in the fiscal year for own research and technological development projects aimed at the development of products, materials, or production processes that represent a scientific or technological advance.<sup>14</sup>

Those interested in participating must access the online System, on the CONAHCYT page; The Interinstitutional Committee<sup>15</sup> will determine the fiscal stimulus considering the technical decision and compliance with its fiscal obligations, and the maximum amount authorized will be 50 million pesos per taxpayer.<sup>16</sup>

### Investment



50 % deduction in the acquisition of machinery and equipment used in the manufacturing, assembly, and transformation of magnetic components for hard drives and electronic cards for the computer industry, the highest in the sector.<sup>17</sup>

They are requested by deducting, in each year, the maximum percentages authorized from the original amount of the investment.<sup>18</sup>

Industries with the greatest investment in R & D:<sup>19</sup>



Pharmaceuticals and biotechnology



Software



Hardware and technological equipment



Semiconductors



Automobiles, auto parts and transportation equipment



Electronic and electrical equipment



Industrial engineering



Chemistry



Medical equipment



Aerospace



Telecommunications



Metals and mining



Alternative energy

<sup>14</sup> Income Tax Law, Article 202 | OGF 11/12/2021 (diputados.gob.mx)

<sup>15</sup> Formed by a representative of the National Council of Science and Technology, one from the Ministry of Economy, one from the Tax Administration Service and one from the Secretariat of Finance and Public Credit

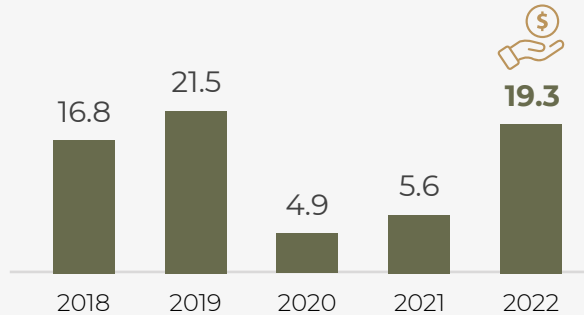
<sup>16</sup> AGREEMENT issuing the general rules for the application of the tax incentive for research and development of technology | OGF 12/14/2023 (dof.gob.mx)

<sup>17</sup> Income Tax Law, Article 3, Ibid

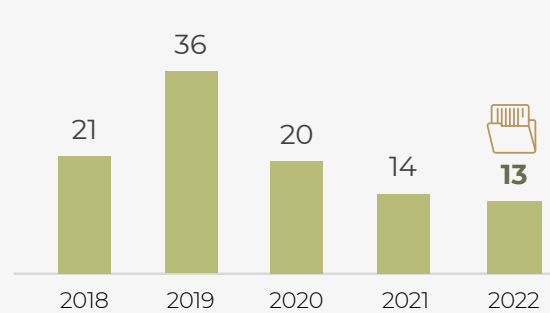
<sup>18</sup> Income Tax Law, Article 31, Ibid

<sup>19</sup> European Commission (2022) | World top 2500 R&D investors (iri.jrc.ec.europa.eu)

Authorized stimulus amount (MUSD)



Authorized projects



Investment and area of expertise of the projects (2022)



**\$ 65.4 MUSD investment**

Engineering and technology

**11 Projects**



**\$ 16.9 MUSD investment**

Medicine and health sciences

**2 Projects**

Geographic distribution of investment projects in (2022)

Federal entitie	Proposals received	Projects approved
Mexico City	3	0
Coahuila	1	0
State of Mexico	6	1
Guanajuato	1	1
Jalisco	8	2
Michoacán de Ocampo	7	1
Nuevo León	8	3
Puebla	5	2
Querétaro	1	1
Veracruz	2	2

Sources: CONACYT | Fiscal Stimulus for Technology Research and Development (conahcyt.mx) | December 2022

## Electric vehicles

### Income Tax



Tax credit equivalent to 30 % of the amount of Income Tax investments in the fiscal year, for investments in power equipment for electric vehicles. As long as these are connected and fixed in public places.

It is credited in the declaration of the fiscal year and, if applicable, up to ten following fiscal years, when it is greater than the Income Tax of the fiscal year in which the stimulus is applied.<sup>20</sup>

### New Automobile Tax (ISAN by its Spanish acronym)



ISAN exemption for the import and sale of electric, hybrid or hydrogen-powered vehicles, as well as the definitive export of automobiles.<sup>21</sup>

<sup>20</sup> Income Tax Law, Article 204 | OGF 11/12/2021 (diputados.gob.mx)

<sup>21</sup> Federal New Car Tax Law, Article 8 | OGF 11/12/2021 (diputados.gob.mx)



## Automotive industry competitiveness<sup>22</sup>

Grants investment incentives for the establishment of production facilities for the manufacturing of light vehicles.

### ▼ This applies to companies that:

- ▶ They already have production facilities that produce more than 50,000 vehicles per year.
- ▶ Carry out assembly or shielding activities under license from the original manufacturing company.
- ▶ They have made an initial investment of 100 million dollars to establish a plant for the manufacturing of light vehicles.

### ▼ Benefits:

- ▶ They may obtain a fiscal deposit under the terms of the Customs Law.
- ▶ They will be able to obtain automatic registration for PROSEC in the automotive and automotive parts industry.
- ▶ They will be able to offer vehicles for government tenders as if they were domestic manufacturers.
- ▶ They will be able to import tariff-free vehicles from countries with which Mexico does not have a trade agreement according to the established terms.

Interested companies must request registration as companies producing new light motor vehicles before the Secretariat of Economy and prove compliance with the requirements set forth therein and in its Application Rules. Registration is renewed annually.



<sup>22</sup> DECREE to support the competitiveness of the terminal automotive industry and promote the development of the domestic automobile market and its modifications | OGF 12/31/2003 (dof.gob.mx)





## TAX BENEFITS FOR MSMES

### Simplified Trust Regime<sup>23</sup>

#### Individuals



It is an administrative simplification so that the payment of income tax is made in a simple, fast, and efficient way.

#### Benefits:

- Reduction of Income Tax rates so that people with lower incomes pay less.
- Starting in 2022, people who are in this new scheme will be required to pay between 1 and 2.5 % of their income.

#### Who does it apply to?

Individuals who receive annual income of less than 3.5 million invoiced pesos, belonging to one of the four tax regimes that make up the Simplified Trust Regime:

- Business and professional activities
- Tax Incorporation Regime
- Use or enjoyment of real estate (lease)
- Agricultural, Livestock, Fishing or Forestry Activities

## STATE INCENTIVES<sup>24</sup>

Coupled with the offer of incentives, stimuli, and fiscal benefits offered by the Federal Government, state incentives are a fundamental tool for the economic development of the States. These instruments, offered by state governments, seek to attract investments, promote job creation, and strengthen the competitiveness of all regions.



Fees and rates applicable to taxes



Fees and contributions for improvements

#### Incentives with more presence in the federal entities:

- Tax incentives for the tax on labor compensation.
- Tax incentives for hiring people with disabilities and Senior Citizens.
- Exemption or reduction of payment of duties.

<sup>23</sup> Income Tax Law, Article 113-E | OGF 11/12/2021 (diputados.gob.mx)

<sup>24</sup> Political Constitution of the United Mexican States | OGF 01/24/2024 (dof.gob.mx)



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