

## Mexico Grants Tax Incentives to Spur Investment, Training and Technological Innovation

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On January 21, 2025, the Mexican Department of Finance and Public Credit published in the Official Journal of the Federation the *“Decree by which fiscal incentives are granted to support the national strategy called ‘Plan Mexico’, to promote new investments that encourage dual training programs and promote innovation”* (the “Decree”). The Decree seeks to encourage the development of technical capabilities, and to promote domestic innovation by supporting investment projects that could lead to the development of inventions to obtain patents or initial certifications and enable companies to integrate into local and regional supply chains, through the following incentives:

**A. An immediate deduction of investments in new fixed assets**, that is, those assets which are used for the first time in Mexico, applicable to assets that are acquired between January 22, 2025, and September 30, 2030. The assets in question must be kept in use for a minimum of two years after the fiscal year in which the deduction is applied, excluding for such purposes office furniture, automobiles with internal combustion engines, airplanes not destined for agricultural activities, or any fixed asset that is not individually identifiable. The deduction may be up to 91%, depending on the type of asset in question and the economic activity in which such asset is used.

**B. An additional deduction of 25% of the expenses incurred in employee training or technological innovation**, which may be applied in annual tax returns filed for fiscal years 2025 to 2030, which will be calculated as the positive difference between the expense corresponding to the current fiscal year, and the average of the expenses incurred for such training and innovation expenses in the three previous fiscal years in which such deduction is applied, even if in any of such fiscal years, such items had not been recorded. This benefit will be limited to training that provides technical or scientific knowledge related to the taxpayer's business activity, while the expenses for innovation will be those related to investment projects for developing inventions.

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The Decree establishes that the benefits will not be applicable to taxpayers that are applying the tax benefits provided in the “Decree granting tax incentives to key sectors of the export industry”, published on October 11, 2023 (the “2023 Decree”). In addition, it is noted that the Decree renders the 2023 Decree null and void as of its effective date. However, taxpayers which, at the time the Decree entered into force, are applying benefits derived from the 2023 Decree, may continue to do so until the conclusion of such benefits, according to the terms and conditions originally established.

Likewise, the Decree establishes several situations in which interested parties will not be eligible to apply the tax incentives, such as having firm tax credits or that, when due, are not guaranteed or that the guarantee is insufficient, or that they are within any of the situations established in articles 69, 69-B and 69-B Bis of the Federal Tax Code, among others.

Likewise, those interested in applying the tax incentives established in the Decree must keep specific records supporting the investments, training programs, and innovation projects developed.

In the event taxpayers fail to comply with the established requirements, they will be subject to a revocation of the incentives granted and the obligation to pay the corresponding taxes, interest, and surcharges.

To verify compliance with such requirements, the Decree establishes the creation of an “Evaluation Committee”, which will be integrated by representatives of the Department of Finance and Public Credit, the Department of Economy, and the Regional Economic Development and Relocation Advisory Council, which will be in charge of issuing the specific guidelines necessary for the proper application of the tax incentives established in the Decree, which must be published within 60 calendar days from the effective date of the Decree, that is, the day after its publication.

CCN is prepared to assist companies with the preparation and review of applications for the incentives granted by the Decree.