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Mexico's 2027 Economic Package: Key Tax Proposals

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On September 8, 2026, Mexico's Federal Executive submitted the 2027 Economic Package to the Mexican Chamber of Deputies. The proposal includes amendments to the Federal Revenue Law for Fiscal Year 2027 ("2027 Revenue Law"), the Federal Tax Code ("FTC"), the Income Tax Law ("ITL"), the Value Added Tax Law ("VAT Law"), and the Excise Tax Law ("IEPS Law"), among other statutes.

The proposals will first be considered by the Chamber of Deputies and subsequently by the Senate and must be approved no later than October 31, 2026. Although the legislative process may result in amendments or rejection of certain proposals, the current composition of the Mexican Congress suggests that most of the proposed changes may be approved on substantially similar terms.

If enacted, these provisions would modify the income tax base, the timing for claiming deductions and tax losses, the calculation of estimated tax payments, withholding obligations, cash flow, and effective tax rates. In many cases, companies may need to make adjustments to contracts, information systems, accounting close procedures, treasury policies, tax documentation, and deferred taxes. Accordingly, even though the final legislation is not yet known, companies should begin identifying areas that may require preparation during the last quarter of 2026.

The sectors and transactions with potentially greater exposure include manufacturing and industrial groups, companies with significant indebtedness or frequent cross-border payments, financial institutions and insurance companies, digital platforms and FinTech companies, groups active in capital markets and investment funds, fuel distributors, companies involved in investment projects under Mexico's Plan México initiative, and certain nonprofit organizations. The actual impact will depend on each entity's activities, corporate structure, level of deductions and tax losses, indebtedness, cross-border transactions, and tax attributes.

Federal Revenue Law for Fiscal Year 2027

Topic	Proposed changes
Withholding Rate on Interest Paid by the Financial System	During 2027, Mexican financial institutions would be required to apply an annual withholding rate of 0.68% to the principal amount generating interest, compared to the 0.90% rate applicable in 2026. *Legal basis: 2027 Revenue Law, Art. 24; ITL, Arts. 54 and 135..*
Bad Debts of Credit Institutions	The rule distinguishes between claims barred by the statute of limitations and cases involving a clear practical impossibility of collection, establishing different requirements depending on the amount and characteristics of the debt. It also includes specific rules for mortgage-secured loans and loans granted to individuals taxed under regimes other than the business activities regime. For certain loans exceeding 30,000 UDIs (Mexico's inflation-indexed investment units), some debtor-notification and annual reporting requirements would be eliminated, without affecting the remaining applicable requirements. *Legal basis: 2027 Revenue Law, Art. 25, Sec. V; Transitional Provision 27*
Contributions to Mexico's Bank Savings Protection Institute (IPAB)	The rule preventing multiple banking institutions from deducting three-fourths of the contributions paid to Mexico's Bank Savings Protection Institute ("IPAB") would remain in effect. *Legal basis: 2027 Revenue Law, Art. 25, Sec. IV.*
Tax Incentive for Initial Public Offerings	The proposal reinstates a tax incentive allowing a 10% Mexican income tax rate to apply to certain gains from the sale of shares in connection with an initial public offering by a Mexican company. Eligible taxpayers include individuals who are Mexican tax residents, individuals and legal entities resident abroad without a permanent establishment in Mexico, and certain foreign entities or legal arrangements. To qualify for the incentive, several requirements must be satisfied, including requirements concerning the offering through an authorized Mexican stock exchange, effective participation by the general investing public, the issuer's market value, and the percentage of shares offered. If the issuer's market value exceeds MXN$50 billion, the benefit would apply proportionally. The proposal also includes ownership limitations, a no-change-of-control requirement, and specific rules for dual listings in Mexico and recognized foreign markets. *Legal basis: 2027 Revenue Law, Art. 25, Sec. XVII.*

Topic	Proposed changes
Tax Regularization Program	Transitional Provision 21 maintains a tax regularization program for individuals and legal entities whose total 2025 revenue does not exceed MXN$300 million. The program may provide a 100% reduction in penalties, surcharges, and enforcement expenses in three circumstances: liabilities for 2025 or prior years paid in a single payment; voluntary correction during a tax audit or other exercise of the tax authorities' verification powers; and final tax assessments issued by the tax authorities. For tax liabilities consisting exclusively of certain penalties arising from nonpayment-related obligations, the reduction may be 90%. For final tax assessments, applications must be filed no later than October 31, 2027. Filing an application would suspend administrative enforcement proceedings without requiring the taxpayer to secure the tax liability while the application is pending. The proposal expressly excludes taxpayers under the jurisdiction of Mexico's General Administration for Large Taxpayers, as well as other cases specified in the applicable transitional provision. *Legal basis: 2027 Revenue Law, Transitional Provision 21.*
Repatriation of Funds Held Abroad	Transitional Provision 23 would allow individuals and legal entities resident in Mexico, as well as foreign residents with a permanent establishment in Mexico, to pay Mexican income tax at a 7.5% rate, without deductions, on funds of lawful origin held abroad as of September 8, 2026. The funds must be repatriated or brought into Mexico no later than December 31, 2027, and the corresponding tax must be paid within 15 calendar days following their repatriation or entry into the country. The proposal requires the funds to be allocated to eligible investments or purposes and to remain in Mexico for at least three years. Funds repatriated during the first half of 2027 generally must be invested no later than December 31, 2027. Funds repatriated during the second half of the year generally must be invested no later than June 30, 2028. During the required holding period, distributions of dividends or capital reimbursements associated with the repatriated funds would be subject to a 10% withholding tax, in addition to applicable traceability and recordkeeping requirements. *Legal basis: 2027 Revenue Law, Transitional Provision 23.*

Topic	Proposed changes
Digital Platforms: Income Tax Withholding for Legal Entities	Technology platforms that intermediate sales of goods or services provided by legal entities would be required to withhold Mexican income tax at a rate of 2.5% on gross revenue, without any deduction. If the legal entity fails to provide its Mexican Federal Taxpayer Registration number ("RFC"), the withholding rate would increase to 20%. The tax withheld could be credited against estimated income tax payments or the taxpayer's annual income tax liability. *Legal basis: 2027 Revenue Law, Art. 25, Sec. VI.*
Crowdfunding Institutions	The 2027 Revenue Law maintains special obligations for crowdfunding institutions involved in interest-generating transactions. For beneficiaries resident in Mexico, the institution would withhold income tax at a rate of 20% on nominal interest paid to individuals and legal entities. For foreign residents, the applicable withholding rate under Article 166 of the ITL would apply. The proposal also provides for a 16% VAT withholding on the nominal value of accrued interest in applicable cases, as well as payment and tax receipt issuance requirements. *Legal basis: 2027 Revenue Law, Art. 25, Sec. VIII.*
Foreign Legal Arrangements and Private Equity Funds	The proposal temporarily relaxes two requirements under Article 205 of the ITL for certain foreign legal arrangements used by private equity funds. First, the manager of the arrangement could be a Mexican tax resident without that fact, by itself, causing the arrangement to lose its tax-transparent treatment. Second, when a Mexican retirement fund investment company (SIEFORE) is an investor or member, the requirement set forth in Section VI of Article 205 may not apply. The exception is limited: all other requirements under Article 205 would continue to apply. Eligibility should therefore be analyzed on a vehicle-by-vehicle basis. *Legal basis: 2027 Revenue Law, Art. 25, Sec. XII; ITL, Art. 205*
Verification Program for Title III Entities	Transitional Provision 30 directs Mexico's Tax Administration Service ("SAT") to implement a verification and audit program during 2027 for taxpayers subject to Title III of the ITL. The official language is not limited to authorized charitable organizations. Rather, it applies, as relevant, to taxpayers falling within Title III. The program's criteria must be established through general administrative rules. Accordingly, its operational scope, audit priorities, and specific documentation requirements are not yet known. For Title III entities, the measure anticipates increased tax scrutiny focused on their activities, use of funds, and formal compliance. *Legal basis: 2027 Revenue Law, Transitional Provision 30.*

Federal Tax Code: Measures Implemented Through the 2027 Revenue Law

Topic	Proposed changes
Security for Tax Liabilities in Administrative Appeals	For administrative appeals timely filed on or after January 1, 2027, taxpayers would continue to have the option to provide security for the tax liability within six months following the filing of the appeal. If the tax authority resolves the appeal before the six-month period expires, security must be provided within ten days following the date on which notice of the decision becomes effective. *Legal basis: 2027 Revenue Law, Transitional Provision 26, in connection with FTC Art. 144.*
Administrative Appeal Limited to Substantive Tax Issues	Taxpayers that timely file an administrative appeal limited exclusively to substantive tax issues would not be required to provide security for the tax liability, and the assessed tax liability would not be enforceable while the appeal is pending. *Legal basis: 2027 Revenue Law, Transitional Provision 26, in connection with FTC Art. 144.*

Income Tax Law

Topic	Proposed changes
Security for Tax Liabilities in Administrative Appeals	For administrative appeals timely filed on or after January 1, 2027, taxpayers would continue to have the option to provide security for the tax liability within six months following the filing of the appeal. If the tax authority resolves the appeal before the six-month period expires, security must be provided within ten days following the date on which notice of the decision becomes effective. *Legal basis: 2027 Revenue Law, Transitional Provision 26, in connection with FTC Art. 144.*
Administrative Appeal Limited to Substantive Tax Issues	Taxpayers that timely file an administrative appeal limited exclusively to substantive tax issues would not be required to provide security for the tax liability, and the assessed tax liability would not be enforceable while the appeal is pending. *Legal basis: 2027 Revenue Law, Transitional Provision 26, in connection with FTC Art. 144.*

Topic	Proposed changes
Limitation on Tax Losses	Proposed Article 78-C would limit the use of tax-loss carryforwards to 50% of the taxable income for the fiscal year, determined after applying the deduction limitation under Article 78-B. If the available tax-loss balance is lower, only the available balance would be applied. Losses that cannot be used solely because of this limitation could be carried forward for the following 20 fiscal years, subject again to the 50% limitation. For losses generated before the new provisions become effective, the transitional rule extends the carryforward period to 20 fiscal years for taxpayers subject to the new mechanism. *Legal basis: ITL, Art. 78-C; Second Transitional Article, Sec. II.*
Estimated Tax Payments	The proposal seeks to reflect the effect of the new regime beginning with estimated income tax payments made during 2027. As a transitional rule, legal entities with taxable revenue exceeding MXN$50 million in their most recently filed annual tax return would adjust their profit coefficient based on the relationship between deductions and revenue reported in that return. If deductions were equal to or less than 96.67% of revenue, the coefficient would be multiplied by 1.0658. If deductions exceeded that threshold, it would be multiplied by 2.6162. In addition, tax-loss carryforwards could be applied only up to 50% of the taxable income determined for the relevant estimated tax payment. *Legal basis: ITL, Art. 78-D; Second Transitional Article, Sec. I.*
Exclusions from New Chapter X and Reorganizations	Article 78-E would exclude certain taxpayers and activities from new Chapter X, including coordinated transportation groups, agricultural, livestock, forestry, and fishing taxpayers (AGAPES), certain maquiladora operations, without extending the exclusion to income from domestic sales, legal entities declared bankrupt, insurance institutions, and taxpayers applying certain investment or training incentives. The provision also includes a conditional exclusion for companies that have been registered with Mexico's Federal Taxpayer Registry ("RFC") for fewer than five fiscal years. *Legal basis: ITL, Art. 78-E; Second Transitional Article, Sec. III.*
Net Interest Expense	The amendment to Article 28, Section XXXII, would reduce the general limitation on the deduction of net interest expense from 30% to 20% of adjusted taxable income. The proposal does not replace the entire mechanism under this provision. Except for the proposed amendment, the existing calculation rules, thresholds, exclusions, and treatment of nondeductible interest would remain in place. *Legal basis: ITL, Art. 28, Sec. XXXII.*

Topic	Proposed changes
Payments to Foreign Residents and Withholding Taxes	The amendment to Article 27, Section V, would condition the deduction of payments made to foreign residents on the payment being made and the corresponding withholding tax being remitted during the same fiscal year in which the deduction is claimed. Article 153 would also be amended so that the obligation to withhold arises on the earliest of the date the payment becomes due, accrues, or is actually paid. *Legal basis: ITL, Arts. 27, Sec. V, and 153, fifth paragraph.*
Advance Payments for Services and the Use or Temporary Enjoyment of Property	Currently, Article 27, Section XVIII, allows certain advance payments for expenses to be deducted in the fiscal year in which they are paid, provided that the taxpayer has the applicable CFDI (Mexican electronic tax invoice) for the advance payment and subsequently obtains the tax invoice for the entire transaction within the statutory period. The proposal adds a paragraph to Article 25 and amends Article 27 to exclude advance payments for services and for the use or temporary enjoyment of property from this treatment. In those cases, the deduction would be available only when the service is actually provided or the applicable period of use or enjoyment has elapsed. If the arrangement extends over more than one fiscal year, only the portion actually received or provided during each fiscal year would be deductible. *Legal basis: ITL, Art. 25, added paragraph, and Art. 27, Sec. XVIII.*
UFIN and CUFIN: Nondeductible Items	Article 77 would be amended to clarify that, in determining net taxable income (UFIN), taxpayers must subtract not only items expressly classified as nondeductible, but also expenditures that fail to satisfy the applicable tax deductibility requirements. The same clarification would apply to the calculation when those items exceed taxable income. Legal basis: ITL, Art. 77.
CUCA, Capitalization of Liabilities, and Tax Basis in Shares	Articles 22 and 78 would be amended to restrict the recognition of certain items in the tax basis of shares and in the capital contribution account. In the capitalization of liabilities, accrued but unpaid interest and the corresponding VAT would not form part of the tax basis of the shares or the capital contribution account. When accounts receivable, collection rights, or negotiable instruments are contributed, recognition would be deferred until those assets are collected or otherwise realized, and only the amount actually collected in cash would be recognized. *Legal basis: ITL, Arts. 22 and 78.*
Elimination of the Optional Regime for Groups of Companies	The proposal would repeal Chapter VI of Title II of the ITL in its entirety (Articles 59 through 71), which governs the Optional Regime for Groups of Companies. Groups participating in the regime as of December 31, 2026, would be required to terminate their participation effective January 1, 2027. Outstanding deferred income tax, including the amount corresponding to 2026 determined under current Article 64, would have to be paid, as adjusted for inflation, no later than December 31, 2027. Deferred tax corresponding to the third immediately preceding fiscal year would be due no later than March 31, 2027. *Legal basis: Repeal of ITL Arts. 59 through 71; transitional provisions, particularly Sec. V.*

Topic	Proposed changes
Tax Benefits Related to Plan México	The transitional provisions incorporate and continue certain tax incentives related to Mexico's Plan México initiative. Among other benefits, eligible taxpayers would be allowed an immediate deduction for certain new fixed assets acquired between January 1, 2027, and September 30, 2030, with different deduction percentages depending on the type of asset, as well as an additional deduction equal to 25% of the increase in training and innovation expenses. To claim these benefits, taxpayers must satisfy specific requirements, maintain records of investments, demonstrate their connection to the taxpayer's business activities, and comply with applicable exclusions, overall limits, and guidelines issued by the Evaluation Committee or other competent authorities. The proposal also provides for the issuance of guidelines for various components of the program no later than January 31, 2027. *Legal basis: Transitional provisions of the decree amending the ITL.*

Value Added Tax: Measures Implemented Through the 2027 Revenue Law

Topic	Proposed changes
Menstrual Products	During fiscal year 2027, the 2027 Revenue Law would apply a 0% VAT rate to the sale of reusable or disposable menstrual underwear and menstrual discs intended for menstrual care. *Legal basis: 2027 Revenue Law, Art. 25, Sec. XIII, in connection with VAT Law Art. 2-A.*
Sale of Books, Newspapers, and Magazines	Taxpayers that timely file an administrative appeal limited exclusively to substantive tax issues would not be required to provide security for the tax liability, and the assessed tax liability would not be enforceable while the appeal is pending. *Legal basis: 2027 Revenue Law, Transitional Provision 26, in connection with FTC Art. 144.*
VAT Credits Under Insurance Contracts	The limitation preventing taxpayers from crediting VAT paid on the acquisition or importation of goods or services would remain in place when such goods or services are used to fulfill insurance contracts under which the insurer compensates for damages or replaces property through third parties. *Legal basis: 2027 Revenue Law, Art. 25, Sec. XIV.*

Topic	Proposed changes
Digital Platforms: VAT Withholding	The VAT withholding obligations applicable to digital platforms that collect the purchase price and VAT on behalf of a seller or service provider would be expanded. Among other circumstances, a platform would be required to withhold VAT from legal entities in accordance with the mechanism under Article 18-J; withhold 100% of the VAT from foreign residents without a permanent establishment in Mexico that sell goods within Mexico; and withhold 100% of the VAT when transaction proceeds are deposited into bank or deposit accounts located outside Mexico. *Legal basis: 2027 Revenue Law, Art. 25, Sec. IX; VAT Law, Art. 18-J.*

Excise Tax: Measures Implemented Through the 2027 Revenue Law

Topic	Proposed changes
Gasoline and Diesel: Inventory Differences and Volumetric Controls	A special regime would apply from July 1 through December 31, 2027, to persons other than manufacturers, producers, and importers that sell gasoline and diesel in Mexico. The excise tax would be calculated monthly and by type of fuel based on the positive difference between the units of fuel sold during the month and the units acquired during the same period, applying the corresponding IEPS rates without any incentive, reduction, or credit. For purposes of verifying the calculation, the tax authority could consider inventory records, the volumetric controls required under the FTC, CFDIs, and customs import declarations. *Legal basis: 2027 Revenue Law, Art. 25, Sec. XIX; Transitional Provision 29; references to IEPS Law Arts. 2, 2-A, and 8.*
Other Nicotine Products: Security Codes	The requirement to print security codes on each pack, case, package, wrapper, or other container is extended to other nicotine products sold in Mexico. Nicotine replacement therapy products that are registered as pharmaceutical products with the Mexican health authorities are excluded. *Legal basis: 2027 Revenue Law, Art. 25, Secs. XV and XVI; IEPS Law, Arts. 19, Sec. XXII, and 19-A.*

If you have questions about how these proposed reforms may affect your company, or if you would like to assess the feasibility of challenging any of these provisions, Cacheaux, Cavazos & Newton is available to assist you. Our tax team can help evaluate the impact of the proposed rules, identify tax planning strategies, and develop a legal defense strategy tailored to your circumstances.