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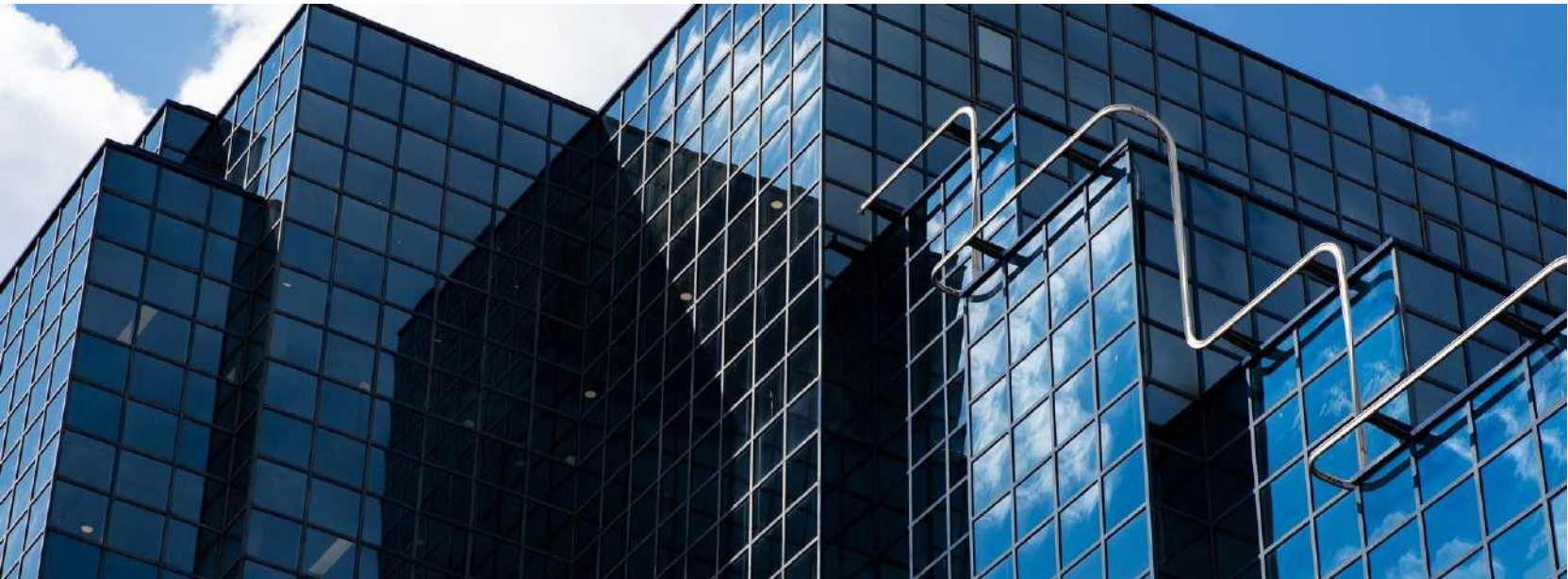
Fiscal and Financial Strategy

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Risks, Trends, and Priorities

Executive Summary

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I. Introduction

The fiscal and financial landscape for 2026 is set to be one of the most challenging in recent years. It is characterized by increased pressure to collect taxes, extensive use of technological tools by the authorities, and a global macroeconomic environment marked by volatility, trade fragmentation and digital transformation.

In this context, business decision-making requires a comprehensive approach combining tax, financial, and regulatory analyses. This approach emphasizes anticipating risks and developing sustainable strategies for compliance and growth.

This newsletter offers an executive overview of the key factors that will influence fiscal and financial management in 2026. It addresses reforms and regulatory expectations in Mexico, international trends driven by the OECD, macroeconomic risks, strategic priorities for businesses and investors, and significant changes in foreign trade.



II. Mexico: Tax Reforms and Regulatory Expectations

As shown in the table below, the Mexican government is projecting a 10.21% increase in tax revenue for 2026 compared to 2025.

Analysis of Tax Revenue by Tax Type in Mexico

Figures in millions of pesos

	2025	2026	Increase	% Increase
Income tax	2,859,575	3,070,149	210,574	7.36%
VAT (value added tax)	1,463,279	1,589,069	125,789	8.60%
Excise Tax on Production and Services	713,844	761,502	47,658	6.68%
Import taxes	151,789	254,757	102,967	67.84%
Tax penalties	81,497	135,769	54,272	66.59%
Others	27,827	27,295	-532	-1.91%
TOTAL	5,297,813	5,838,541	540,728	10.21%

The tax reform for fiscal year included amendments to the Special Law on Production and Services (IEPS) and the Customs Law (LA). The latter has a significant impact. It increased by 67.84% compared to the previous fiscal year. Meanwhile, the IEPS tax increased by only 6.68%.

Another interesting aspect to note in the above table is the 66.59% increase in tax surcharges, which include interest, late payment penalties, and fines. This suggests that the tax authority is implementing taxpayer audit programs to optimize tax collection.

The following tax reforms for 2026 are noteworthy in general terms:

- Withholding taxes on digital platforms: income tax ranging from 2.5% to 20%, and VAT ranging from 50% to 100%, depending on the taxpayer identification number (RFC) and tax residency.
- New taxes include a 200% tax on beverages containing sweeteners and nicotine products, except for medical therapies.
- There will be tax increases on tobacco and beverages. Cigarettes will increase from 160% to 200%, and there will be a progressive per-cigarette tax from 2026 to 2030. Flavored beverages will rise from \$1.64 to \$3.08 per liter.
- There will be tougher measures against shell companies, with powers granted to the SAT to deny registration in the RFC, revoke digital seals, and impose penalties.
- Real-time access to digital platforms: SAT will be able to review operations online and impose sanctions, including account suspensions.
- Use of technological tools: photographs, audio recordings, and videos during home visits and goods inspections.
- Customs Law: Mandatory use of technological systems in customs facilities, video surveillance, and real-time traceability.
- Stricter customs penalties: shorter time limits for temporary imports, tighter controls on IMMEX (Manufacturing, Maquiladora, and Export Services) activities, and penalties for tax evasion and smuggling.

The enforcement programs to be implemented by the tax authority aim to achieve more effective tax collection by taking steps to reduce tax evasion and avoidance, ensuring that taxpayers pay their taxes correctly so that there is no need to increase major taxes such as income tax and value-added tax.



III. Global Outlook: OECD Trends, BEPS, and the Digital Economy

In November of last year, the updated version of the OECD Model Tax Convention was adopted. This convention is a key instrument for negotiating bilateral treaties on double taxation and preventing international tax evasion.

Key Changes and Updates

1. Dispute Resolution and GATS

This clarifies the role of the competent authorities in determining whether a matter falls within the scope of a tax treaty, especially in disputes under the General Agreement on Trade in Services (GATS). It facilitates the defense of tax positions and the resolution of disputes in an efficient manner.

2. Remote Work (Home Office) and Permanent Establishment

It is necessary to clarify the circumstances under which a person's home may be considered a place of business for their employer. These changes reflect shifts in employment arrangements and provide greater clarity on when working from home or other locations constitutes a permanent establishment.

3. Transfer Pricing and Interest Deductibility

Further clarification is being provided on how to treat loans and financial transactions between companies within the same group. Such financing must adhere to market conditions, including reasonable interest rates, clear repayment terms, and a genuine ability to repay. For example, the terms should be consistent with those offered by a bank. These measures prevent the generation of excessive interest or artificial debt that unduly reduces the tax burden.

4. Tax certainty mechanisms (Amount B)

Amount B is a rule that establishes a standard margin for simple distributors without complex operations. In this update, the OECD clarifies how to prevent double taxation when one country applies the rule and the other does not. This provides greater certainty and helps companies avoid tax disputes.

5. Exchange of Information

Not only is the use of exchanged information permitted with respect to the original taxpayers, it is also permitted for other tax matters. Furthermore, taxpayers' access to such information is clarified.

In light of this update, we recommend that companies review their operational structures, transfer pricing policies, remote work arrangements, and international tax compliance strategies. This will allow them to adapt to the changes, take advantage of greater certainty, and mitigate the risks of tax audits and double taxation.

IV. Financial Strategy: Risks, Trends, and Priorities

The global economy is shifting toward a new paradigm, characterized by moderate growth, greater fragmentation of international trade, and financial volatility that is no longer merely cyclical, but rather a permanent feature. Interest rates have taken on a central role as macroeconomic control mechanisms, while inflation and exchange rates are highly sensitive to external shocks, reducing the certainty needed for decision-making.

In this context, regional economic blocs are emerging as the driving force behind global trade and investment. North America is no stranger to this dynamic. For Mexico, integration with the United States and Canada remains a strategic priority. However, it is happening amid trade and regulatory tensions related to the USMCA, creating uncertainty for economic actors.

According to the General Economic Policy Guidelines that underlie the 2026 Federal Revenue Law, Mexico is projected to experience GDP growth between 1.8% and 2.8%, inflation around 3.0%, an interest rate of about 6.0%, and an estimated exchange rate of 18.90 pesos per dollar. These official projections indicate an economy that is growing, albeit at a modest pace, with a high dependence on external conditions. In terms of fiscal policy, the projections include a public deficit of around 4.1% of GDP, which restricts the government's ability to respond to adverse shocks.



This macroeconomic environment directly impacts the decisions made by businesses, households, and investors.

Companies. They are facing a scenario of moderate growth and high financing costs, which tends to delay or reduce long-term investment projects. Trade uncertainty associated with the USMCA is prompting companies to adopt more defensive strategies, such as market diversification, partial relocation of supply chains, and greater caution in expansion decisions. Access to credit remains a key constraint for small and medium-sized enterprises.

Families. For Mexican households, inflation close to the target provides some relief to purchasing power. However, limited economic growth implies slower growth in employment and real wages. Volatile exchange rates affect the prices of imported goods and services, and relatively high interest rates continue to impact the cost of mortgages and consumer credit. These factors influence spending and saving decisions.

Investors. They operate in an environment where risk and volatility are permanent factors, not temporary ones. This leads to greater selectivity in asset allocation, a preference for defensive instruments, and more pronounced diversification between domestic and foreign assets.

Expectations regarding growth, fiscal stability, and regulatory certainty have become decisive factors in capital allocation.

In conclusion, the global economy is undergoing a structural reconfiguration marked by low growth, volatility, and trade fragmentation rather than going through a cycle.

The economic indicators projected for Mexico in 2026 point to an environment of tight margins, fiscal constraints, and high exposure to external factors. In this new paradigm, expecting stability would be a strategic mistake because risk has become the norm, not the exception. Rather than predicting a single scenario, competitive advantage lies in making decisions capable of withstanding a variety of scenarios, some of which are highly complex.



V. Tax Operating Models: Maturity, Automation, and Evidence

1. Automation of CFDI reconciliation versus accounting.

In light of the SAT's audit strategy, one could argue that automating the reconciliation of CFDI data with accounting records should be considered a structural control measure for tax compliance rather than an "efficiency project."

Implementing this type of automation would allow us to shift from performing selective audit tests to preparing comprehensive, ongoing reconciliations that cover 100% of transactions. These reconciliations would have an audit trail and an "exception-based management" approach, which would be more defensible in the face of electronic audits and requests from tax authorities.

From an operational standpoint, automating reconciliations would reduce the time company employees spend on the task, virtually eliminating the need for tedious manual spreadsheet work. From a tax perspective, this would allow for the prompt identification of potential discrepancies or errors in accounting records and CFDI forms. It would also enable companies to promptly respond to any requests from the SAT.

In short, Mexican companies should invest in this type of automation to mitigate significant risks related to deduction or credit rejection, as well as income or tax withholding determination.



2. Documentary evidence that aligns with audit criteria.

The audit criteria issued by the tax authorities have evolved over time. It is no longer sufficient to simply have CFDI invoices or contracts supporting transactions. Now, issues of materiality and business rationale have come into play. In these situations, documentary evidence must be provided to avoid the tax authorities presuming that the transactions did not take place or that no benefit was derived from them.

Documentary evidence supporting materiality may include deliverables, service reports, work logs, staff attendance records, photos (subject to certain restrictions), audio and video recordings, and proof of delivery of goods. Regarding the business rationale, documentation must demonstrate why the transaction was necessary for generating revenue and that it was not carried out to obtain a tax benefit.

It is important to note that tax authorities use the published effective tax rates by sector (the ratio of income tax liability to total taxable income) as a benchmark in their audits. Therefore, this is another factor that must be verified to explain any differences between a taxpayer's results and the published rates.

Another important issue is documenting the traceability of the transactions shown on bank statements to the actual transactions carried out, as recorded in accounting documents, CFDI invoices issued and received, and corresponding payment supplements. If these items are not properly linked, tax authorities will typically assume during audits that there is additional income or that certain deductions are invalid.



To avoid any assumptions that the tax authorities might make regarding the omission of income, non-deductibility, or failure to pay withholdings, it is essential to document at least the following CFDI reconciliations:

- a) CFDI invoices for revenue against reported revenue and revenue recorded in the accounting system.
- b) CFDI payroll documents against payroll records, accounting entries, and withheld taxes paid.
- c) CFDI withholding tax documents against accounting entries and withheld taxes paid.

Regarding CFDI, it is important to verify that suppliers providing or having provided services are not listed as taxpayers engaged in fictitious transactions (Article 69-B of the Federal Tax Code). This means the deduction cannot be claimed and may result in restrictions on digital seal certificates, penalties, or, in extreme cases, criminal liability.

Tax authorities consider other issues during their audits, such as payments made abroad, the proper application of double taxation treaties, interest deductions (thin capitalization and net interest), and transactions between related parties. All of these issues must be properly documented to avoid risks during audits.

3. Integration of the tax function into corporate governance and audit committees.

In order to ensure proper tax management and administration (since poor management can distort a company's actual profits or financial position by failing to properly recognize in the financial statements both current and deferred tax provisions, or potential contingencies) and to identify and avoid possible tax-related contingencies, it becomes necessary to incorporate the tax function into the structure of corporate governance and the audit committees. It's important to note that poor financial management can affect a business's viability.

Integrating tax considerations into corporate governance allows every decision to be evaluated based on its potential tax implications. This helps avoid risks or properly assess them, leading to better decision-making and alignment with business strategy.

The Audit Committee could ensure proper recognition of taxes in the company's financial statements, identify potential risks or contingencies, and recommend how to address them. The committee could also recommend how to document transactions to avoid or limit risks.

It is worth noting that a lack of communication between the finance department and the corporate governance or audit committee can lead to decisions being made without a full assessment of potential risks. This can even jeopardize the company's operations, as mentioned.

VI. Foreign Trade 2026: Risks, Trends, and Opportunities

Starting January 1, 2026, foreign trade in Mexico will be governed by a revised Customs Law that is more complex and demanding. This poses challenges for importers, exporters, customs brokers, and foreign trade operators, who must conduct operations in strict compliance with the legal framework to avoid risks that the new law penalizes with fines ranging from 250% to 300% of unpaid taxes.

It is of vital importance to review internal processes for conducting foreign trade operations. The organization must implement the following ongoing tasks: entering into service agreements with customs brokers to define responsibilities and obligations, allocating the necessary resources to maintain a reliable electronic record, and verifying ongoing compliance. Additionally, the organization should prioritize a supply chain consisting of countries with which Mexico has signed free trade agreements.

VII. Conclusions

2026 is not shaping up to be a stable year, but rather a turning point in how organizations will need to manage fiscal, financial, and operational risks.

Strengthened enforcement, regulatory authorities' adoption of technology, pressure to collect taxes, and evolving international standards are forcing companies to shift from a reactive to a preventive and strategic approach. Strategic tax management, financial discipline, operational traceability, and compliance with documentation requirements are central pillars of corporate management, not isolated functions.

In this context, organizations that successfully integrate tax analysis, financial intelligence, and corporate governance into their decision-making processes will be better able to mitigate risks, capitalize on opportunities, and maintain competitiveness.

Instead of predicting a specific scenario, the strategic priority will be to establish structures that can adapt to uncertainty, withstand volatility, and take advantage of the regulatory and economic changes that will influence the business environment in the coming years.

The partners and tax committee at Russell Bedford are available to answer any questions you may have about the content of this newsletter.





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