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Tax Newsletter
Economic Plan
2027
Prepared by the Tax Committee of Russell Bedford Mexico

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EXECUTIVE SUMMARY

On September 8, 2026, the Ministry of Finance and Public Credit (SHCP) presented the Economic Plan for fiscal year 2027. The package included the General Economic Policy Guidelines, the proposed Federal Revenue Law, proposed amendments to the Income Tax Law and the Federal Fees Law, and the proposed Federal Expenditure Budget. Assuming the initiatives are approved as proposed, the relevant provisions will generally take effect on January 1, 2027.

The economic package includes measures to simplify procedures for small and micro businesses, investment incentives, and stricter rules for determining the taxable base of bigger legal entities. Although there are no plans to raise the general corporate income tax rate, restrictions on deductions, tax losses, and interest are being proposed. Additionally, adjustments to estimated tax payments could increase current tax liabilities and the cash flow required for tax compliance.





Fiscal policy will continue to focus on preserving the sustainability of public finances and macroeconomic stability. The proposed economic policy objectives and guidelines are as follows:

- To continue gradually reducing the budget deficit and ensure the sustainability of public debt.
- To permanently strengthen tax revenue through greater control of the tax base and enforcement measures.
- To expand and simplify the Simplified Trust-Based Tax System (RESICO) for individuals and legal entities.
- To promote productive investment through accelerated deductions and incentives linked to the Mexico Plan and the Development Hubs for Well-being.
- To encourage the repatriation of capital held abroad, provided it is invested productively in Mexico.
- To adjust federal fees to reflect the costs of providing public services and the use or exploitation of public assets.
- To maintain welfare programs and investment in strategic infrastructure as spending priorities.



The following indicators are proposed as part of the General Economic Policy Guidelines for 2027, among others:

Indicador	2027
Gross Domestic Product (GDP)	1.5% – 2.5%
Closing Inflation	3.0%
Average 28-day CETES rate	6.1%
Closing 28-day CETES rate	6.0%
Average nominal exchange rate	17.9 MXN/USD
Closing exchange rate	18.0 MXN/USD
Average price of Mexican crude	61.8 USD per barrel
Budget deficit	3.4% of GDP



The following proposals stand out in the 2027 Economic Plan:

- A new mechanism for controlling tax deductions and losses for legal entities with taxable income exceeding $50 million.
- A reduction in the net interest deductibility limit from 30% to 20% of adjusted taxable income.
- A transitional adjustment to the profit coefficients for 2027 interim tax payments, with factors of either 1.0658 or 2.6162 depending on the deductions-to-income ratio.
- The RESICO system will be expanded to include individuals with assets valued between $3.5 and $5 million, as well as legal entities with assets valued between $35 and $50 million. For the latter group, participation in the system will be optional.
- RESICO taxpayers would have the option to calculate monthly VAT by applying a 7% rate to taxable transactions or activities that have been effectively billed, without offsetting input VAT or VAT paid on imports.
- There will be a capital return program with a 7.5% income tax rate, contingent on investment and retention of funds in Mexico for at least three years.
- Annual withholding tax rate on interest of 0.68% for 2027, compared to 0.90% applicable in 2026.
- Significant update to various immigration, consular, financial, and public infrastructure usage fees.



ECONOMIC OUTLOOK FOR 2027

The Ministry of Finance and Public Credit (SHCP) estimates that the Mexican economy will grow at an annual real rate between 1.5% and 2.5% in 2027. This outlook is based on several factors, including the strength of the domestic market, growth in labor income, infrastructure investment, the Mexico Plan, improved financial conditions, and the continued integration of North American production.

In terms of prices, the SHCP estimates inflation will reach 3.0% by the end of the year. An average nominal rate of 6.1% is projected for 28-day CETES, with a rate of 6.0% projected for the end of the year. The average nominal exchange rate used for fiscal projections is 17.9 pesos per dollar and 18.0 pesos per dollar by the end of 2027.

The estimated average price for the Mexican export blend is 61.8 dollars per barrel. Additionally, production is expected to reach nearly 1.8 million barrels per day. The current account deficit is expected to be equivalent to 0.6% of GDP.

Revenue and the Federal Budget

The Federal Revenue Bill estimates total revenue of 10.636 trillion pesos for 2027. Of that, $6.26 trillion would come from taxes. Income tax (ISR) is expected to contribute approximately $3.29 trillion; value-added tax (VAT), $1.77 trillion; and Special Tax on Production and Services (IEPS), $828.3 billion. The foreign trade (import) tax is estimated at $232.5 billion.

In the other hand, the Expenditure Budget Bill calls for total net spending of $10.636 trillion pesos and a budget deficit of $1.36 trillion. For Petróleos Mexicanos (Pemex), the goal is a financial surplus of $95.1 billion, while the Federal Electricity Commission (CFE) is projected to have a surplus of $25.0 billion.

The federal government is requesting authorization for up to $1.7 billion in net domestic borrowing. The financing policy continues to prioritize the domestic market, long-term and fixed-rate issuances, liability management, and sustainable financing.

FEDERAL REVENUE LAW

Tax incentives

Various tax incentives targeting productive sectors will remain in place through 2027. The main ones are:

- Diesel and biodiesel, as well as their blends, are used exclusively as fuel for general machinery under the terms and subject to the restrictions of the Federal Revenue Law (LIF).
- Diesel and biodiesel blends are used in agricultural, livestock, and forestry activities.
- They can also be used in public and private ground transportation of passengers or cargo, but only if certain requirements are met.
- Tax incentive related to toll fees for taxpayers engaged in public or private land-based motor transport of freight, passengers, or tourists, targeted at taxpayers with total annual income of less than $250 million.
- Tax incentive for fossil fuels used in production processes but not for combustion.
- Credit against the special mining tax for holders of concessions and assignments with annual gross revenue from mineral sales of less than $50 million.
- Exemption from the Customs Processing Fee for the importation of natural gas.

0% VAT rate on books, newspapers, and magazines

It is proposed that an incentive be provided by applying a 0% VAT rate to the sale of books, newspapers, and magazines for taxpayers for whom income from the sale of such goods represented at least 90% of their total income the previous year. Unlike the exemption treatment, the incentive allows for the deduction of VAT on strictly necessary goods and services for such sales, provided the VAT Law requirements are met.



Annual withholding on interest

The proposed annual income tax withholding rate on interest, as referenced in Articles 54 and 135 of the Income Tax Law, is 0.68% for 2027, which is lower than the 0.90% rate applicable in 2026. The bill includes a calculation methodology that considers the average yield on 28-day CETES, average inflation, and the effective income tax rate for individuals with financial sector income.

Reduction of penalties through self-correction

A 50% reduction on certain fines is available when taxpayers rectify their situation after an audit begins but before the final audit report is issued or the notice of findings is served. A 40% reduction is provided for certain noncompliance issues other than payment obligations detected through electronic review.



VAT relief for RESICO taxpayers

It is proposed that individuals and legal entities subject to RESICO taxation may calculate their monthly VAT by applying a 7% rate to the total value of taxable transactions or activities for which payment was received that month. This option aims to simplify tax calculations and must be exercised in accordance with the rules and requirements set forth in the LIF.

Taxpayers who choose this option must pass on the VAT to their customers at the applicable rate under the VAT Law and pay the tax on imports at the statutory rate. However, they cannot claim a credit for VAT passed on to them or for VAT paid on imports related to taxable activities. Once exercised, the option cannot be changed during the fiscal year and must be applied on a full-month basis.

Capital return program

A temporary regime is proposed for individuals and legal entities residing in Mexico, as well as residents abroad with a permanent establishment in Mexico, who repatriate or bring into Mexico funds of lawful origin held abroad before September 8, 2026.



The tax would be calculated by applying a 7.5% rate to the full amount of the returned funds. To qualify for the benefit, the funds must be returned to or brought into Mexico no later than December 31, 2027. They must then be invested in productive activities and remain in Mexico for at least three years. The tax must be paid within 15 calendar days of the date the funds are returned or brought into the country.

The initiative establishes investment windows. Funds returned during the first half of 2027 must be invested by December 31, 2027. Funds received during the second half of 2027 must be invested by June 30, 2028.

Verification of entities under Title III

The LIF proposes that the SAT implement a specific verification and audit program for taxpayers subject to Title III of the LISR. This measure aims to increase transparency and tax compliance among entities that are subject to special treatment or exempt from certain obligations but still have specific tax responsibilities.

Settlement of Public Entities' debts owed to the Mexican Social Security Institute (IMSS)

As a transitional provision, it is proposed that the IMSS be authorized to reduce penalties and surcharges for debts regarding employee-employer contributions owed by public entities, accrued through December 31, 2026, by up to 100 percent. This reduction is contingent upon payment in a single installment or in installments within the maximum time limit specified in the provision.

INCOME TAX LAW

Simplified trust-based system - individuals

The income limit for individuals to qualify for the RESICO is proposed to increase from $3.5 million to $5 million per year. This amendment would apply to the provisions of Article 113-E, as well as to the monthly and annual tables and the requirements for resuming business activities.

The maximum tax rate under the regime would remain at 2.5%, which is now applicable up to the new threshold of $5 million. If the limit is exceeded during the tax year, the taxpayer must stop filing under the RESICO regime according to the applicable legal procedures. Payments made during the months the taxpayer was in the regime will be considered final payments.

The prohibition on re-entering the regime after ceasing to file under it has been eliminated. A taxpayer may re-enter the regime in a subsequent fiscal year, provided their income for the immediately preceding fiscal year does not exceed $5 million and they are up to date with their tax obligations.

Primary sector

For individuals engaged exclusively in agricultural, livestock, forestry, or fishing activities, the maximum income exempt from income tax is proposed to increase from $900,000 to $1,000,000, in accordance with Article 113-E.





Simplified trust-based system - legal entities

The income threshold for legal entities would increase from $35 million to $50 million per year. Additionally, the regime would become optional for those who meet the requirements, allowing companies to assess which regime is more advantageous: RESICO or the general regime under Title II.

It is proposed that legal entities that have ceased filing taxes under the RESICO regime be permitted to opt back in during subsequent fiscal years, provided their income does not exceed $50 million and they are current on their tax obligations and meet all other legal requirements.

Increase in deduction rates for RESICO legal entities

The maximum deduction percentages specified in Article 209 are increased. Among other changes, the rate for deferred charges increases from 5% to 10%, the rate for expenditures during pre-operational periods rises from 10% to 20%, and the rate for royalties, technical assistance, and other deferred expenses increases from 15% to 30%. Additionally, the applicable rates for various assets and activities are raised to encourage new investments.

Mechanism for monitoring authorized deductions and tax losses

The initiative adds Chapter X to Title II of the Income Tax Law (LISR), consisting of Articles 78-A through 78-F. This mechanism generally applies to legal entities in Mexico with taxable income exceeding 50 million pesos that report taxable income for the fiscal year, except in cases excluded by the chapter itself.

The deduction limit is determined based on two scenarios:

1. If authorized deductions are less than or equal to 96.67% of taxable income, the deductible amount will equal 99% of the total authorized deductions.

2. If authorized deductions exceed 96.67% of taxable income, the deduction limit will be 96.67% of taxable income.

However, the amount of deductions that cannot be claimed due to these limits is not necessarily lost. In accordance with the deadlines, adjustments, and conditions set forth in the new chapter, the initiative establishes a mechanism for reducing it in subsequent fiscal years.

Limitation on tax losses

For taxpayers subject to the new mechanism, any remaining tax losses to be offset would be limited to 50% of the taxable income after applying the deduction limit. On the other hand, certain carryforward losses can be used within the twenty fiscal years after the year they were incurred.



Practical impact of the mechanism

Even if the corporate income tax rate remains unchanged, the change may result in a larger tax base. This will particularly impact companies with low profit margins, those with accumulated tax losses, and businesses with high deductible costs or expenses.

For example: A legal entity with $100 million in taxable income and $95 million in deductions would fall under the first scenario. This means that it could initially apply only 99% of its deductions, or $94.05 million. If your deductions totaled $99 million, the limit would be $96.67 million. In both cases, the effect is to defer some of the deductions and accelerate tax collection.

Monthly tax payments in advance 2027

To distribute the effects of the new mechanism throughout the fiscal year, the transitional provisions suggest adjusting the profit coefficient applied to the 2027 provisional payments of legal entities that reported taxable income exceeding $50 million in their most recent annual tax return.

- If the deductions on the most recent annual tax return are equal to or less than 96.67% of the taxable income, then the profit coefficient will be multiplied by 1.0658.
- Otherwise, if the deductions exceed 96.67% of the taxable income, the profit coefficient shall be multiplied by 2.6162.
- Tax losses from prior years may be used to reduce the provisional tax liability only up to 50% of the provisional taxable income determined after applying the adjusted coefficient.

Consequently, for companies subject to these rules, the impact of the reform would extend beyond the annual tax return. It could be reflected as early as the provisional payments in January 2027, directly affecting liquidity and working capital.



Net interest deduction

Article 28, Section XXXII proposes reducing the threshold above which net interest for the fiscal year is non-deductible from 30% to 20% of adjusted taxable income. This change will increase the tax cost of debt-intensive financing structures, requiring a review of leverage levels and net interest projections beginning in 2026.

Advance payments for services and the temporary use or enjoyment of property

A new rule states that advance payments for services rendered, as well as for the temporary use or enjoyment of property, are only deductible in the fiscal year when the service is rendered or the period of use or enjoyment occurs. If the service spans more than one fiscal year, the deduction will apply only to the portion received or granted in each period.

Payments abroad:

The proposal is to link the deductibility of payments made abroad to the payment of consideration and the remittance of the corresponding withholding tax. Additionally, for transactions subject to withholding tax under Title V, the obligation to remit the tax would arise on whichever occurs first: the due date, accrual date, or payment date.

Tax basis of stock and capitalization of liabilities

To determine the verified cost of acquiring shares, it is proposed that unpaid accrued interest and VAT corresponding to capitalized liabilities be excluded from the cost. For contributions in kind consisting of accounts receivable, collection rights assignments, or negotiable instruments, inclusion in the cost is deferred until realization and limited to the amount collected.

The Capital Contribution Account proposal includes the following consistent rules: unpaid accrued interest and VAT associated with capitalized liabilities will not increase the account. Contributions made through accounts receivable or collection rights will be recognized only upon realization and actual collection.

Repeal of the optional regime for groups of companies

The initiative proposes to repeal Chapter VI of Title II of the Income Tax Law (LISR), regarding the Optional Regime for Groups of Companies. Any taxpayers who are taxed under this regime as of December 31, 2026, must disband by January 1, 2027.

Any deferred income tax that is still due must generally be paid by December 31, 2027, adjusted for inflation. The deferred tax corresponding to the third preceding fiscal year must be paid by March 31, 2027. This measure could significantly impact the cash flow of groups that currently use the system.

Investment incentives: Plan México and development hubs

Through transitional provisions, the initiative incorporates various incentives previously linked to decrees promoting the "Plan México" and "Development Hubs for Well-being" initiatives into the Income Tax Law (LISR). This incorporation aims to provide greater legal certainty and facilitate investment planning.



One benefit is the ability to claim an immediate deduction for investments in new fixed assets acquired during the specified period by applying specific percentages instead of the standard ones. Certain developers and circular economy companies operating within the Circular Economy Development Hubs for Well-being (PODECIBI) will receive an immediate 100% deduction for new fixed assets used in these activities from 2027 to 2030. This deduction is subject to exclusions and requirements set forth in the provision.

The incentives are subject to formal and substantive requirements. These include registration tax ID, activation of a tax mailbox, a positive compliance assessment, and, depending on the benefit, submission of investment, training, innovation, or certification projects, as well as obtaining certificates from the relevant committee.



IMPLICATIONS FOR COMPANIES

From a business perspective, the 2027 Economic Package should be evaluated as a significant alteration to the tax base and income tax collection timing, rather than as a general tax rate reform. The effects will vary depending on the size, financial structure, tax regime, and investment profile of each taxpayer..

Companies with revenue exceeding $50 million mexican pesos

- Model the new deduction limit under two scenarios of 96.67%
- Quantify the impact of limiting tax carry forward to 50% of taxable income.
- Using the applicable adjustment factors, recalculate the estimated tax payments for 2027 based on the taxable income coefficient.
- Review the impact of reducing the net interest limit to 20% of adjusted taxable income.
- Identify advance payments for services and leases whose tax recognition is deferred.
- Review payments to related and third parties residing abroad, taking the new withholding and deduction deadlines into account.



Companies with revenue of up to $50 million mexican pesos

For companies composed solely of individuals, the tax and administrative costs of filing under RESICO should be compared to the costs under the general tax regime. While the higher threshold, optional nature of the regime, and higher deduction rates may present significant opportunities, the decision should consider operating margins, cost structure, investments, and the impact of VAT.

Individuals and microbusinesses

Increasing the RESICO limit to $5 million and offering the option to re-enter the program once the requirements are met expands the pool of potential taxpayers who can benefit. For the primary sector, the increase in the tax-exempt amount to $1 million represents an additional benefit.





Corporate groups

Groups currently taxed under the Optional Regime for Corporate Groups should prepare for a tax demerger and schedule deferred income taxes. Additionally, in light of the new rules on tax basis and CUCA, it is advisable to review the capitalization of liabilities, contributions of accounts receivable, and share purchase and sale transactions.

Leveraged companies and multinationals

The reduction in the net interest deduction limit and the new rules applicable to payments made abroad may significantly increase actual tax payments. Therefore, it is advisable to review financing agreements, including accrual, due, and payment dates, as well as applicable withholding tax provisions and documentation supporting transactions between related parties.



Conclusions

The 2027 Economic Package continues the policy of gradual fiscal consolidation and projects historically high tax revenues as a percentage of GDP. This strategy relies on greater control of the tax base, amendments to the Income Tax. It also preserves incentives for production and expands benefits for smaller taxpayers.

For medium and big companies, the most significant changes center on limits on deductions, tax losses, net interest, and estimated monthly tax payments. For Micro, Small, and Medium-Sized Enterprises (MSMEs), on the other hand, the key changes include the expansion of the RESICO program, increased deduction rates, and the simplified VAT option. In both segments, modeling the impact on cash flow before the start of fiscal year 2027 will be essential.

Changes to the 2027 Economic Package may be proposed during the legislative process, and these must be analyzed promptly to determine their ultimate effects on businesses and individual taxpayers.

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Our partners and members of the tax committee are available to answer any questions or address any comments you may have about the content of this newsletter.

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