



Jesus Mendoza  
Partner  
BALL PLLC  
Bosque de Ciruelos 130-501  
Col. Bosques de las Lomas,  
Mexico City, Mexico 11700

## MEXICO NEARSHORING TAX INCENTIVES OCTOBER 2023

In an effort to capitalize on the nearshoring trend in Mexico which has seen companies move closer to the US in an effort to simplify supply chains, in an Executive Order the government announced a new set of tax incentives for companies looking to relocate operations to the country. The Executive Order applies to investment in fixed assets and will be available until the end of 2024, with benefits ranging from 56% tax relief to 89% on those investments. Below is a summary of the new tax incentives and their application.

1. **Eligible Goods.** The Mexican federal government will grant tax benefits to persons or entities that produce or manufacture the following goods for export:
  - 1.1. Products for human or animal feeding.
  - 1.2. Fertilizers and agrochemicals.
  - 1.3. Supplies for the pharmaceutical industry.
  - 1.4. Electronic components, such as simple or charged cards, circuits, drivers, semiconductors, transformers, computers, and telephone modems.
  - 1.5. Pieces and machinery for clocks and watches, navigation, control and measurement devices, and electronic medical equipment for medical use.
  - 1.6. Batteries, accumulators, cables, plugs, contacts, fuses, and electrical installation accessories.
  - 1.7. Gasoline, hybrid and alternative fuel motors for cars, vans, and trucks.
  - 1.8. Electric and electronic equipment, steering, suspension and brake systems, seats, interior accessories, die-cut metallic pieces for cars, vans, trucks, trains, vessels, and aircraft.
  - 1.9. Interior combustion motor, turbines, and transmissions for aircraft.
  - 1.10. Non-electronic equipment for medical, dental and laboratory use, disposable material for medical use, and optical objects for ophthalmic use.
  - 1.11. Cinematographic and audiovisual work that is copyright protected.
2. **Option for 2023 and 2024 Fiscal Years.** Taxpayers can opt to apply the tax benefit when, during the 2023 and 2024 fiscal years, total revenue from exports of the applicable goods amount to at least 50% of the total amount invoiced for each fiscal year.
3. **Application.** The tax benefit resides in an immediate write off/deduction of the investment in new fixed asset goods, acquired after the date of issue of the Executive Order and up to December 31, 2024, in accordance with the terms of the Executive Order. The tax benefit shall apply to those investments that are kept in use for a minimum of two years after the fiscal year in which the benefit is used. A new asset is that that is used for a first time in Mexico.
4. **Exclusions.** The tax benefit is not applicable to office furniture and equipment, internal combustion motor automobiles, automobile armor equipment, any fixed asset not individually identifiable, or any aircraft not used for agricultural fumigation.
5. **Reduction in Taxable Gain.** The tax gain as per the Tax Statute shall be reduced by the amount of the immediate write off/deduction taken within the same fiscal year in accordance with the Executive Order.



Jesus Mendoza  
Partner  
BALL PLLC  
Bosque de Ciruelos 130-501  
Col. Bosques de las Lomas,  
Mexico City, Mexico 11700

**MEXICO  
NEARSHORING  
TAX INCENTIVES  
OCTOBER 2023**

6. **Applicable Write-Off/Deduction Percentages.** The percentage to be applied for write offs/deductions are as follows:

6.1. As per the type of good:

- 6.1.1. 86% for vehicles, buses, trucks, tractor trucks, lift trucks and trailers propelled by rechargeable electric batteries, electric combustion motor, or hydrogen motor.
- 6.1.2. 86% for aircraft used for agricultural fumigation.
- 6.1.3. 88% for personal computers, servers, printers, optical readers, graphers, barcode readers, digitizers, external storage units, and computer network concentrators.
- 6.1.4. 89% for dies, molds, arrays, and tooling.
- 6.1.5. 89% for machinery and equipment directly use for the development and research of new products and technology for Mexico.

6.2. **Activity Requirement.** As per machinery and equipment other than the one previously identified (type of good) the applicable benefit shall depend on the key activity for which it is used, as follows:

- 6.2.1. 56% for the construction of facilities for the design, manufacturing, assembling, testing, advance packaging or research for semiconductors and packaging of electronic components and semiconductors.
- 6.2.2. 56% to produce pharmaceutical medication, pharmaceutical use antiseptics, diagnosis substances, tablets, capsules, or pharmaceutical solutions and injectables.
- 6.2.3. 56% to produce electronic microscopes, electronic medical equipment, laboratory instruments and equipment, analysis equipment, laboratory tests, diagnosis and radiotherapy equipment, pacemakers, hearing aids, and other implant appliances.
- 6.2.4. 72% to manufacture chemical products or in the manufacturing of materials used in the production, manufacturing, assemble, test performance or packaging of electronic components and semiconductors.
- 6.2.5. 76% to produce machinery and equipment for the design, production, manufacture, assemble, test performance, and packaging of electronic components and semiconductors in the categories of thermal processing, oxidation and diffusion, lithography, photo resistance processing, cleaning, and removal of materials, antidoping equipment, metrology and inspection, manufacturing automatization, and test equipment.
- 6.2.6. 76% in the design, production, manufacture, assemble, test performance and packaging of electronic components, such as simple or charged cards, circuits, capacitors, resistors, connectors and semiconductors, coils, transformers, computer modems, telephones, and harness.
- 6.2.7. 80% in the construction and set up of photo and video sets and locations.



Jesus Mendoza  
Partner  
BALL PLLC  
Bosque de Ciruelos 130-501  
Col. Bosques de las Lomas,  
Mexico City, Mexico 11700

MEXICO  
NEARSHORING  
TAX INCENTIVES  
OCTOBER 2023

- 6.2.8. 80% invested in equipment and postproduction audio, video and visual effects facilities, animation and postproduction audio and video computer equipment, equipment for costume production, and equipment for special setting.
- 6.2.9. 83% to manufacture, assemble and transform hard drives and electronic cards magnetic components, substrates, semiconductor packaging technologies, mechanical inputs (plastic and metal), printed circuit boards, graphic cards, solid state drives, printed circuit boards assembly, adaptors and power supplies, electronic equipment batteries, and liquid crystal screens for the computer industry.
- 6.2.10. 83% in the investment of visual and audio recording equipment in any form, professional lighting equipment for recording and photography.
- 6.2.11. 86% to manufacture, assemble and transformation of batteries for automobiles, vans, trucks, trains, vessels, and aircrafts, only if they are electric vehicles.
- 6.2.12. 86% to produce automobiles, vans, trucks, trains, vessels, aircrafts propelled by rechargeable electric batteries, electric motor and that have a electric combusted or hydrogen actioned motor.
- 6.2.13. 86% to produce gasoline, hybrid and alternative fuel motors for automobiles, vans, and trucks.
- 6.2.14. 86% to produce electric and electronic equipment, steering systems, suspensions and brakes, transmission systems, seats, interior accessories, and die-cut mechanical parts for automobiles, vans, trucks, trains, vessels, and aircrafts.
- 6.2.15. 88% to make products for human and animal nutrition as per the Executive Order, as well as the production lines for food, boilers, and water deposits.

Taxpayers may apply an immediate write off/deduction only in cases of fixed asset investments that will be exclusively used in the key activities previously described.

- 7. **Additional Training Deduction.** In their annual tax return/report for fiscal years 2023, 2024 and 2025, covered taxpayers may take advantage of a tax benefit for training expenses. Specifically, taxpayers may take an additional write off/deduction of 25% of the increase incurred for expenses for training each of its employees receives during the corresponding fiscal year. The incurred expense increase is calculated based on the difference between (i) the actual incurred expense for the corresponding fiscal year, and (ii) the average expense incurred by the taxpayer during the fiscal years 2020, 2021, and 2022, taking into account years when there was no actual expense incurred for training. To be eligible, training must provide employees with technical and scientific knowledge linked to the taxpayer's activity.