

A TAX INCENTIVE IS GRANTED THROUGH A TRANSFERABLE TAX CREDIT TO FILM AND AUDIOVISUAL PRODUCTION IN MEXICO

On February 16, 2026, the "Decree granting a tax incentive to film and audiovisual production" (the "Decree") was published in the Official Gazette of the Federation ("DOF"). The objective of the Decree is to encourage the realization of film and audiovisual productions in national territory through a transferable tax credit scheme, with a global annual cap of up to 400 million pesos, in force until September 30, 2030.

The stimulus is structured as a tax credit of up to 30% of the total cost of the project or production process carried out in Mexico, with a limit of 40 million pesos per project/process and per beneficiary taxpayer, which can be transferred for consideration to other income tax ("ISR") taxpayers under specific rules and controls.

Those taxpayers who are (i) Individuals who are taxed under the Business and Professional Activities regime may apply the incentive; (ii) Legal entities that are taxed under the General Regime; and (iii) Legal entities that pay taxes under the Simplified Trust regime, as well as residents abroad with a permanent establishment in Mexico who carry out film or audiovisual production in national territory.

Likewise, residents abroad without a permanent establishment may access, provided that they carry out the production through a natural or legal person resident in Mexico dedicated to such activities and comply with the guidelines issued by the Technical Committee.

For the purposes of the Decree, a film production project shall be understood as the set of creative, technical, logistical and financial activities carried out in Mexico to develop, make or finish feature films whose primary purpose is to be exhibited in movie theaters.

On the other hand, the audiovisual production project includes works whose primary outlet is not exhibition in movie theaters, such as series, miniseries, animation or projects intensive in visual effects and post-production, regardless of the medium or platform of dissemination.

Taxpayers who intend to access the incentive must meet, among others, the following requirements: (i) be registered in the Federal Taxpayers Registry and have a tax mailbox enabled in terms of article 17-K of the Federal Tax Code ("CFF"); (ii) have a positive and current compliance opinion in accordance with article 32-D of the CFF; (iii) present the project or production process in accordance with the guidelines issued by the Technical Committee; (iv) make expenditures in national territory that reach the minimum thresholds provided for in the Decree, which range between 5 and 40 million pesos depending on the type of project or process; (v) ensure that at least 70% of the supply is national; (vi) obtain the certificate of presentation of the procedure issued by the Technical Committee; (vii) obtain the certificate of compliance for the performance of the production; and (viii) comply with the other provisions established in the Decree and in the applicable guidelines.

For their part, taxpayers who obtain the proof of compliance may determine a tax credit equivalent to up to 30% of the total cost effectively disbursed in national territory, considering only the essential expenditures made in the stages of development, pre-production, production, post-production and final delivery, in accordance with the guidelines issued by the Technical Committee.

Once the tax credit has been determined, the beneficiaries may: (i) transfer it in whole or in part for consideration to domestic suppliers directly related to production or to certain service providers with respect to goods or services that qualify as eligible expenses, in terms of the guidelines; (ii) transfer the remainder to other ISR taxpayers for up to 70% of the total amount of the credit, provided that the transfer is made at a value that does not exceed 85% of the amount transferred and that the credit does not represent more than 15% of the tax profit of the receiving taxpayer determined in the immediately preceding fiscal year; or (iii) apply it directly against the income tax caused in the corresponding year or against provisional payments of the same year, and where appropriate, against the income tax of the two following years until it is exhausted.

Taxpayers who receive the tax credit may apply it against the income tax caused in the year in which the transfer is made or against provisional payments of the same year, without the credited payments being considered again in the annual return. The amount received by the producers for the transfer of the credit will be cumulative income for income tax purposes.

In no case may the recipients of the credit retransmit it to third parties, not even through corporate reorganization figures, and the original beneficiaries may not be related parties of the recipients in the exercise of the transfer or in the immediately preceding one.

The application of the incentive will not be considered cumulative income for income tax purposes and will not give rise to a refund, deduction, compensation, credit, or balance in any favor. Likewise, the beneficiaries are relieved of the obligation to submit the notice of accreditation of tax incentives provided for in Article 25 of the Federal Tax Code, exclusively with respect to the incentive regulated in the Decree.

Taxpayers who: (i) are located in the cases provided for in articles 69, 69-B or 69-B Bis of the CFF may not apply the tax incentive; (ii) have firm unsecured or undersecured tax credits when due; (iii) have their digital seal certificates restricted or canceled in terms of articles 17-H and 17-H Bis of the Federal Tax Code; (iv) are in liquidation exercise; (v) apply the incentive provided for in Article 189 of the LISR; (vi) have been the subject of a resolution that determines the issuance of false tax receipts; or (vii) are linked to a criminal tax proceeding or have a final conviction for a tax crime.

In case of non-compliance with the requirements provided for in the Decree or in the guidelines issued by the Technical Committee, taxpayers must cover the corresponding tax with updating and surcharges and leave the stimulus applied without effect. The Tax Administration Service may issue general rules for the correct application of the Decree.

This new transferable tax credit scheme is integrated into the fiscal stimulus policy in Mexico with a design aimed at strengthening the film and audiovisual industry, maximizing local economic spillover, encouraging national supply and ensuring a controlled and transparent management of fiscal spending through budget limits and a specific validation and supervision system.

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S I N C E R E L Y

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