VON WOBESER

Economic Package for fiscal year 2025

TABLE OF CONTENTS

INTRODUCTION

On November 15, 2024, the Secretary of Finance and Public Credit, **Rogelio Ramírez de la O**, presented to the Chamber of Deputies the long-awaited **Economic Package for fiscal year 2025**. This document, in addition to reflecting the projections and strategies of the federal government for the coming year, establishes a framework for the management of public finances, posing challenges and opportunities.

General Context of the Economic Package

Highlights of the Package include:

1. **Economic growth** is projected for 2025 of between **2% and 3%,** based on factors such as the strengthening of foreign trade, macroeconomic stability and a possible recovery in key sectors.

2. In relation to the growth in the prices of goods and services, inflation is estimated for 2025 at **3.5%.**

3. There is no increase in current taxes or new taxes.

4. Emphasis is placed on collection and inspection through the support of artificial intelligence and the digital transformation agency.

5. The estimated revenues for 2025 will be 8 billion pesos.

6. Tax collection will be the main source of revenue, estimated at 5.3 billion pesos.

7. That figure represents a real increase of 2.6% compared to 2024.

8. For the first time in history, tax revenues are estimated at 14.6% of GDP.

9. Infrastructure investment programs are announced to ensure connectivity and expansion of the rail system.

10. There will be spending on physical investment by the government equivalent to 2.3% of GDP.

11. Estimated interest rate of 8%.

12. Price of a barrel of oil estimated at 57.8 dollars.

13. Dollar exchange rate at the end of 2025 - 18.5 pesos.

Although the legislative process for its discussion and approval has not yet concluded, the signs suggest that the Economic Package will be approved without relevant modifications. This scenario provides companies and taxpayers with a relatively stable outlook for next year's tax planning.

Key aspects in tax matters.

1. **Continuity in tax rates and fiscal policy:**

    - As in the 2024 tax year, no new taxes or adjustments to current rates are included.
    - The federal government's collection strategy will focus on **the auditing and strengthening of tax compliance**, so an increase in audits and review actions by the Tax Administration Service (SAT) is expected.

2. **Implications for taxpayers and strategic sectors:**

    - Although no radical changes are proposed, the tax administration will seek to maximize efficiency in collection, prioritizing sectors with high potential for generating tax revenues.
    - This approach could translate into increased compliance requirements, especially in relation to tax returns, tax reports and supporting documentation.

3. **Accuracy and Relevance of the Analysis:**

The comments presented in this document are of a general nature and aim to provide a conceptual overview of the modifications and their potential impact. However, it is crucial to emphasize that the effects of the economic package must be analyzed considering the particularities of each taxpayer and the specific operations.

In the following pages, we clearly and precisely break down the main legal provisions that make up the economic package, covering:

- General Economic Policy Criteria.
- Relevant amendments to the Federal Revenue Law.
- Reforms in key tax provisions.

- Analysis of the macroeconomic impact and its relationship with fiscal strategies.

With this analysis, we seek to offer a strategic tool to understand the scope of tax provisions and make informed decisions for the next fiscal year. In an environment in which the authority will strengthen its focus on auditing, proactive planning will be key to compliance and optimization of tax obligations.

GENERAL ECONOMIC POLICY CRITERIA

The Economic Policy Criteria are based on four main pillars:

1. Social welfare with equity.
2. Strategic public investment.
3. Fiscal discipline with republican austerity.
4. Simplification measures with greater operational efficiency.

A broad investment in infrastructure and promotion of energy self-sufficiency is contemplated with 14 Welfare poles integrated into 100 industrial parks specialized in 10 strategic sectors, which seeks to attract private investment.

The economic and fiscal projections for the end of 2024 and all of 2025 are presented, based on policies designed to strengthen economic growth, reduce regional and income inequalities, and consolidate Mexico as an attractive destination for domestic and foreign investment:

- **Fiscal approach:** A positive primary balance is anticipated for 2025, with a stable level of public debt to GDP. Fiscal discipline has made it possible to maintain the country's credit rating, generating confidence in domestic and international investors.

- **Previous fiscal advances:** Measures such as the elimination of universal compensation, the constitutional prohibition of tax forgiveness and the classification of tax fraud as a serious crime stand out, which have increased collection.

- **Public spending:** Infrastructure, social justice and social programs are prioritized, with a particular focus on the south-southeast region of the country.

I. Economic Environment

I.1. Global economy

-International performance:

- The U.S. showed robust growth due to private consumption and employment, while the Eurozone faced challenges from high energy costs.
- China continues to slow down, impacted by its real estate sector.

-Inflation: Although it remains above central banks' targets, global inflation shows a downward trend, with a reduction in the prices of raw materials and energy.

-Financial markets: Restrictive conditions persisted in 2023, with episodes of volatility due to uncertainty in monetary policies and geopolitical tensions.

I.2. Mexican Economy

-Sustained growth: The Mexican economy grew by 3.2% annually in 2023, accumulating three consecutive years above the historical average, driven by investment (especially private, which grew by 19.5%), private consumption (+4.3%) and exports.

-Highlighted sectors:

- **Construction:** Growth of 15.6%, thanks to public infrastructure works and relocation of companies.
- **Services:** Widespread increase, led by professional services, retail and wholesale.
- **Manufacturing:** Moderation in the growth rate due to less dynamism in subsectors integrated with the outside world.

-Labor market:

- The unemployment rate fell 2.8%, the lowest since records began.
- Real wages grew by an average of 5.9%, driven by the economic recovery.
- Historic reduction in informality 55%.

-External sector: Mexico consolidated its position as the United States' main trading partner, with all-time highs in remittances (63 billion dollars) and tourism (31 billion dollars).

I.3. Main public finance results

-Tax collection: Record tax revenues, representing 14.2% of GDP, driven by Income Tax (7.9% of GDP) and VAT (4.3% of GDP).

-Public debt: Sustained reduction, standing two percentage points below what was approved for 2023.

-Collection efficiency: Implementation of strategies to increase the tax base and improve auditing.

II. Macroeconomic Framework 2024-2025

-Growth projections: Between 2.0% and 3.0% for 2025, with domestic demand as the main driver, supported by:

- Increase in employment and improvement of the family economy.
- New productive chains derived from the relocation of companies.

-Inflation and interest rates: A moderation of inflation and a gradual adjustment of interest rates are expected.

-Oil: High international prices forecast for 2024, with a positive impact on the Mexican mix.

III. Public Finances 2024-2025

III.1. 2024 Update

-Fiscal consolidation:

- Primary surplus of 0.9% of GDP.
- Lower public deficit compared to 2024.

-Revenue and debt:

- Increase in tax revenues due to economic strength.
- Public debt stable at 50.2% of GDP.

FEDERAL REVENUE LAW BILL

Humanism is established as the guiding principle of economic and social policy.

A moral economy with solid foundations will be sought; a particular focus will be made on the well-being of people and not only on the rules of the market.

The capture of greater tax revenues will be sought through innovative, efficient proposals supported by the use of technology with an emphasis on the fight against tax avoidance and evasion.

Some tax incentives are established which will be cumulative for income tax purposes.

Surcharge Rate (Article 8).

In cases where an extension is granted for the payment of tax liabilities, the surcharge rate in force during the 2024 fiscal year will continue to apply, equivalent to **0.98% per month** on unpaid balances. This percentage will remain unchanged, guaranteeing uniformity and predictability in the financial obligations derived from these facilities granted by the tax authority.

Similarly, when the payment of tax credits is authorized through installments or under deferral schemes, the surcharge rates applicable during the 2024 fiscal year will be maintained. These provisions are clearly regulated in the **Federal Tax Code**, which establishes the specific guidelines for the application and execution of these mechanisms, ensuring their legality and transparency.

The main objective of maintaining these rates is to provide legal and operational certainty to taxpayers, by maintaining a stable and predictable financial framework that facilitates the planning and regularization of their tax obligations. However, taxpayers are encouraged to conduct a detailed analysis of the economic impact of these provisions in each particular situation, considering how they might affect their cash flows and tax strategies.

Fiscal incentives that are maintained (Article 16).

In general terms, the fiscal stimuli established for fiscal year 2024 remain in force, reflecting the federal government's commitment to fiscal stability and the promotion of strategic economic activities. These incentives are designed to support priority sectors, boost investment, promote the development of specific activities, and, in some cases, mitigate the costs associated with the production or consumption of certain goods and services. The permanence of these incentives provides legal and financial certainty to taxpayers, allowing them to maintain their fiscal and operational projections without significant alterations.

Encouragement of public, private and tourist transport (Article 16, Section A, section V).

An incentive is established for public and private freight or passenger transport and tourism for the use of toll roads for the benefit of those who have had an annual income of less than 300 million pesos, consisting of the accreditation of the expenses incurred in the payment of the toll road infrastructure up to 50% of the total expenditure disbursed.

Amendments to the Federal Tax Code and the Income Tax Law (Article 22).

The proposed modifications to article 22 of the Federal Revenue Law for the fiscal year 2025 introduces various adjustments in fiscal matters, focused on balancing support for key sectors of the national economy with the optimization of fiscal resources towards programs with greater social and economic impact. The main provisions proposed are explained below:

- **Support for the primary sector through adjustments to the Simplified Trust Regime (Article 22, section III).**

  With the aim of strengthening the primary sector, considered essential for the economic development of the country, it is proposed to incorporate a section III to article 22. This section establishes that individuals dedicated exclusively to agricultural, livestock, forestry or fishing activities, who are taxed under the Simplified Trust Regime (RESICO) and whose annual income exceeds $900,000 pesos, continue to pay Income Tax in accordance with the aforementioned regime, but only for the excess of that amount. This provision maintains the exemption from Income Tax for the first $900,000 pesos, which translates into a direct tax benefit for small and medium-sized producers in this sector, promoting their competitiveness and sustainability.

- **Promotion of national artistic and literary production (Article 22, section IV).**

  With the aim of promoting cultural development and artistic life in Mexico, it is proposed to include a section IV to article 22 that will increase the amounts of the tax incentives provided for in the Income Tax Law.

  This measure seeks to strengthen national artistic and literary production by granting greater tax benefits, which will encourage the creation of works and projects that enrich the country's cultural heritage; for this purpose, the following maximum amounts will be applied to be distributed among the applicants for the benefit:

  - $750 million pesos for investment projects in national film production;

- $65 million pesos for investment projects in the distribution of national cinematographic films, and

- $250 million pesos for investment projects in national theater production; in the editing and publication of national literary works; visual arts; dance; music in the specific fields of orchestral conducting, instrumental and vocal performance of concert music, and jazz.

- **Redistribution of resources by suspending the incentive for high-performance sports (Article 22, section V).**

  In **section V** of article 22, it is proposed to suspend for the fiscal year of 2025 the tax incentive for high-performance sports, established in article 203 of the Income Tax Law.

- **Legal certainty for the cancellation of CFDI (Article 22, section VI).**

  Finally, in accordance with the provisions of **article 29-A of the Federal Tax Code**, it is proposed to incorporate a **section VI to article 22**, to extend the deadline for cancellation of CFDI, establishing that taxpayers can carry out this action until the last day of the month in which they must file the annual Income Tax return corresponding to the fiscal year in which the receipt was issued.

  This modification derives from a ruling issued by the First Chamber of the Supreme Court of Justice of the Nation, where it declared unconstitutional the limitation of the term to cancel tax receipts online in the fiscal year in which they are issued[1].

  Therefore, this provision seeks to give greater administrative flexibility to taxpayers, aligning with the deadlines for compliance with their tax obligations.

Stock market and bank interest (Article 21).

For income tax purposes, the annual withholding rate **of 0.50%** applicable to the amount of capital generated by the payment of interest by the financial institutions that make up the Mexican financial system is maintained.

The procedure for determining this rate is based on technical and objective criteria, considering the rates and reference prices of public and private securities published by the

[1] Amparo in Revision 189/2023.

Bank of Mexico, as well as the inflation recorded during the corresponding period. This mechanism aims to accurately reflect prevailing economic and financial conditions, ensuring that withholding is proportional and equitable.

However, it is important to note that this rate will be subject to possible adjustments derived from **changes in interest rates and inflation** that may occur during the 2025 fiscal year. These factors, of an economic nature, could affect the final determination of the applicable withholding, so it is recommended that taxpayers remain attentive to the updates issued by the tax and financial authorities, to anticipate any impact on their tax obligations.

Transitory Provisions.

- **Reduction of default interest, adjustment for inflation and surcharges for the public sector (Article Ten).**

  During the fiscal year 2025, the Institute of Security and Social Services of State Workers (ISSSTE) may grant a reduction of up to 100% on default interest, adjustment for inflation and surcharges generated by unpaid fees and contributions. This measure applies to debits registered at the end of the **2023 and 2024** fiscal years, provided that such debits are paid in **2025.**

  It is important to note that the exception to this benefit includes the following contributions:

  - **Contributions of 2% for retirement**, indicated in the Eleventh Transitory Article of the ISSSTE Law.
  - **Housing Fund**.
  - **Retirement, severance at advanced age and old age insurance** for the benefit of workers, except for those who opted for the regime provided for in the Tenth Transitory Article of the ISSSTE Law.

  This provision seeks to alleviate the financial burden of public institutions by reducing costs derived from debts and facilitating compliance with their obligations.

- **Redistribution of resources generated by the elimination of public bodies (Article Twenty-Eight).**

  With the elimination of autonomous, regulatory, decentralized, deconcentrated and other public structures, the remainders and savings that are generated will be concentrated in the Federal Treasury as resources. These resources will be allocated by the Ministry of Finance and Public Credit to the Welfare Pension Fund, with the aim of strengthening social security and optimizing the use of fiscal resources towards programs with a greater social impact.

- **Tax incentive for taxpayers with limited income to absorb fines, surcharges and enforcement expenses (Article Thirty-Four).**

  A tax incentive is granted to individuals and legal entities whose total income in the fiscal year in question does not exceed $35 million pesos, according to the provisions of the Income Tax Law.

  This benefit excludes taxpayers who have received forgiveness, reductions, decrease of any other similar benefit in the amount of payment of tax liabilities established in the Decree of May 20, 2019 (Decree setting aside the Decrees and various general provisions issued in terms of article 39, section I of the Federal Tax Code, by virtue of which tax debts were forgiven[2]).

  To this end, the tax incentive will be applicable with respect to fines imposed for the commission of the infractions indicated in the tax, customs and foreign trade laws, fines derived from non-compliance with tax obligations other than those of payment and aggravated fines, as well as with respect to surcharges and execution expenses related to own federal taxes, withheld or transferred, or with countervailing duties, the administration and collection of which corresponds to the Tax Administration Service or the National Customs Agency of Mexico, in the following cases:

  - The incentive will be 100 percent of the **fines, surcharges and enforcement expenses**, to taxpayers who:

    - Are responsible for contributions or countervailing duties corresponding to the fiscal year 2023 or earlier, provided that they file the respective returns, manifesting such omitted contributions or

[2] Decree by which the Federal Executive undertook not to grant, by means of Presidential Decrees or any other legal or administrative provision, condonations or to exempt, in whole or in part, the payment of contributions and their accessories to large taxpayers and tax debtors, with the exception of the following:

a) When it is a question of preventing the legal situation of a place or region of the country, a branch of activity, the production or sale of products, or the performance of a specific activity from being affected; and
b) In the case of catastrophes suffered by meteorological phenomena, plagues or epidemics.

countervailing duties adjusted, and pay these in a lump sum no later than December 31, 2025.

  - Are subject to verification powers, provided that they correct the irregularities detected and self-correct within the period established by the corresponding procedure, not exceeding 31 December 2025.

  - Have been authorized for the payment of tax liabilities in installments and, as of January 1, 2025, maintain an outstanding balance, provided that they pay in a single installment the unpaid balance of the adjusted omitted contributions.

  - Have firm tax liabilities determined by the federal authority, provided that these have not been challenged or, having been challenged, the taxpayer withdraws the challenge filed.

Additional Requirements and Restrictions

- **Income limit:** Only applicable to taxpayers whose annual income does not exceed 35 million pesos.

- **Request before the SAT:** Submit it no later than September 30, 2025, except in certain cases where the request is not necessary.

- **Exclusions:** Does not apply to taxpayers with sentences for tax crimes or listed in article 69-B of the Federal Tax Code.

The incentive will not be considered as cumulative income and will not allow refunds, deductions or credits.

2025 FEDERAL FEES LAW BILL

Explanatory memorandum

-Regulatory update: The bill seeks to align the Federal Fees Law with the current economic conditions and attributions of federal agencies.

-Government priorities: Promote sustainability in the use of natural resources and optimize the provision of public services.

-Environmental commitments: Adjust fees related to Natural Protected Areas and subsoil resources to reflect their economic, social and environmental value.

I. Main Proposed Amendments

-Protected Natural Areas

- Increase in fees to reflect the real impact of the use of these spaces, with discounts for students, local residents and national visitors or foreign residents.
- Introduction of rounding in the fees to simplify collection and improve the visitor experience.

-Mining

- Reforms to adjust mining rights:
    - Increase in the special duty from 7.5% to 8.5%.
    - Increase in the extraordinary duty from 0.5% to 1%.
- Redistribution of revenues generated to government projects and affected communities.

-Telecommunications

Exemption from payment for civil protection activities carried out by radio amateurs and indigenous/Afro-Mexican communities, in line with social inclusion commitments.

-Water Resources

- Reinforcement of the "polluter pays" principle.
- Stricter requirements for water meters and wastewater discharges, promoting water sustainability.

II. Migration Services

- Adjustment in rates for foreigners without permission to carry out paid activities.
- Elimination of prior exemptions for cruise ships, aligning costs with port operations.

III. Federal Maritime-Terrestrial Zones

- Updating of the list of municipalities subject to fees for the use of beaches and maritime areas.

- Incorporation of new municipalities with public domain assets and elimination of those that no longer apply.

IV. Social Inclusion and Human Rights

- Revision of language in the Federal Fees Law to adopt inclusive terms, such as "persons with disabilities" and "elderly persons."
- Recognition of the rights of indigenous and Afro-Mexican communities in access to telecommunications and radio spectrum.

V. Mexican Airspace

- Elimination of exemptions for aviation schools on teaching flights, considering their operations for profit.
- Adjustments to guarantee the payment of fees in the use of airspace.

VI. Other significant changes

-Airports: Redistribution of income between the Ministry of National Defense and the Ministry of the Navy to strengthen airport infrastructure.

-Environment: Greater resources for the management and conservation of protected areas.

* * * *

At Von Wobeser y Sierra, we are pleased to share the success achieved in this matter and hope that this information will be useful to you.

For more, you will find the contact details of our experts below:

Alejandro Torres, Partner:
+52 (55) 5258-1072 **|** ajtorres@vwys.com.mx

Luis Enrique Torres, Counsel:
+52 (55) 5258-1023 | ltorres@vwys.com.mx

Eric Palacios, Counsel:
+52 (55) 5258-1085 | epalacios@vwys.com.mx

VON WOBESER

VON WOBESER Y SIERRA, S.C.
Paseo de los Tamarindos 60 • 05120 Mexico City • +52 (55) 5258 1000 • vonwobeser.com