

Industrial Welfare Zones of Progreso I and Merida I of the state of Yucatan

Mexico City, July 3, 2024

The “Regulations to promote investment in the Industrial Welfare Zones of Progreso I and Merida I of the state of Yucatan” were issued on June 28th, 2024 (hereinafter the “Regulations”), such Regulations provide tax benefits to taxpayers that carry out productive economic activities within the Industrial Welfare Zones Progreso I and Merida I, as provided by the state of Yucatan, in certain areas of the Municipalities of Progreso and Merida on June 27, 2024.

The Regulations grant tax benefits to taxpayers that carry out economic activities within the provided zones, who comply with certain requirements and operate in the following industries: (i) electrical and electronics; (ii) semiconductors; (iii) vehicles (electromobility); (iv) auto parts and transportation equipment; (v) medical devices; (vi) pharmaceuticals; (vii) agrobusiness; (viii) electric power generation and distribution equipment (clean energies); (ix) machinery and equipment; (x) information and communication technologies; and (xi) metals and petrochemicals.

The scope of the tax benefits granted include income tax and value added tax (“VAT”).

Regarding income tax, an incentive is granted to taxpayers that obtain income from productive economic activities carried out within the zones, consisting of a tax credits against the amount of income tax incurred, determined in the fiscal year in question. The tax incentive will not be considered as accumulated income for income tax purposes.

The tax credit will be equivalent to 100% of the income tax incurred during three fiscal years counted from the year in which the taxpayers obtain the certificate issued by the Ministry of Finance and Public Credit (“Ministry of Finance”) that shows compliance with the requirements of the Regulations.

In the three subsequent fiscal years, the tax credit will be equivalent to 50% of the income tax incurred in the three subsequent fiscal years, or up to 90% in the event that the minimum employment levels are met, under the terms of the guidelines to be published by the Ministry of

Finance and subject to the considerations provided by the Regulations. The Ministry of Finance has 90 calendar days from the effective date of the Regulations (June 29th, 2024) to publish such guidelines.

The Regulations also provide that the taxpayer can carry out the immediate deduction of 100% of the original amount of the investment of new fixed assets used in the zones to carry out their productive economic activities, instead of applying the maximum authorized percentages referred to in the Income Tax Law, as applicable and subject to the considerations established in the Regulations. This is applicable during the six fiscal years, from the year in which the certificate issued by the Ministry of Finance showing compliance with the requirements of the Regulations is obtained by the taxpayer.

It should be noted that taxpayers applying these tax benefits may not simultaneously file for certain other benefits provided by the tax regulations.

The Regulations also provide a VAT incentive, which is granted for four years from the effective date of the Regulations (June 29th, 2024) to taxpayers who carry out productive economic activities within the zones, who sell goods, provide independent services or that lease goods to persons who carry out productive economic activities within the poles.

The tax incentive consists of a tax credit equivalent to 100% of the VAT payable on the taxable activities mentioned above and will be credited against the tax payable on the aforementioned activities, provided that the VAT is not transferred to the purchaser of the goods or services and, in addition, the goods or services are used by the purchasers in their activities within the zones, subject to the considerations provided in the Regulations and the rules to be issued by the Ministry of Finance.

The VAT tax incentive will only be applicable as long as no amount of VAT is transferred to the purchaser of the mentioned goods or services, and as long as the goods, services or the lease are used by the purchasers in the productive economic activities within the zones. The Ministry of Finance must issue the provisions for the control of the exit, entry and transfer of the aforementioned goods and operations.

The Regulations are effective since June 29, 2024 and are available for consultation at the following link:

https://www.dof.gob.mx/nota_detalle.php?codigo=5731888&fecha=28/06/2024#gsc.tab=0

The specific areas of the Municipalities of Progreso and Merida, in the state of Yucatan can be consulted at: https://www.yucatan.gob.mx/docs/diario_oficial/diarios/2024/2024-06-27_2.pdf

For further information regarding the contents of this update, please contact Galicia Abogados, S.C.

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