

Deductibility of the commitment fee

Mexico City, October 5, 2023

The Upper Court of the Mexican Federal Court of Administrative Justice issued a recent **non-binding and isolated** precedent whereby the deductibility of the commitment fee was rejected, as the Court concluded that such expense is not strictly necessary.

The argument of the Court is that the commitment fee is not deductible for income tax purposes, since such consideration is only due when the borrower does not exert its right over the credit line agreed; and therefore, its nature is of a penalty set forth by the parties.

Such judicial precedent may have additional tax impacts to Mexican borrowers, as well as to foreign lenders, including the applicable withholding tax rate and other for VAT purposes. For more information, please contact to:

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