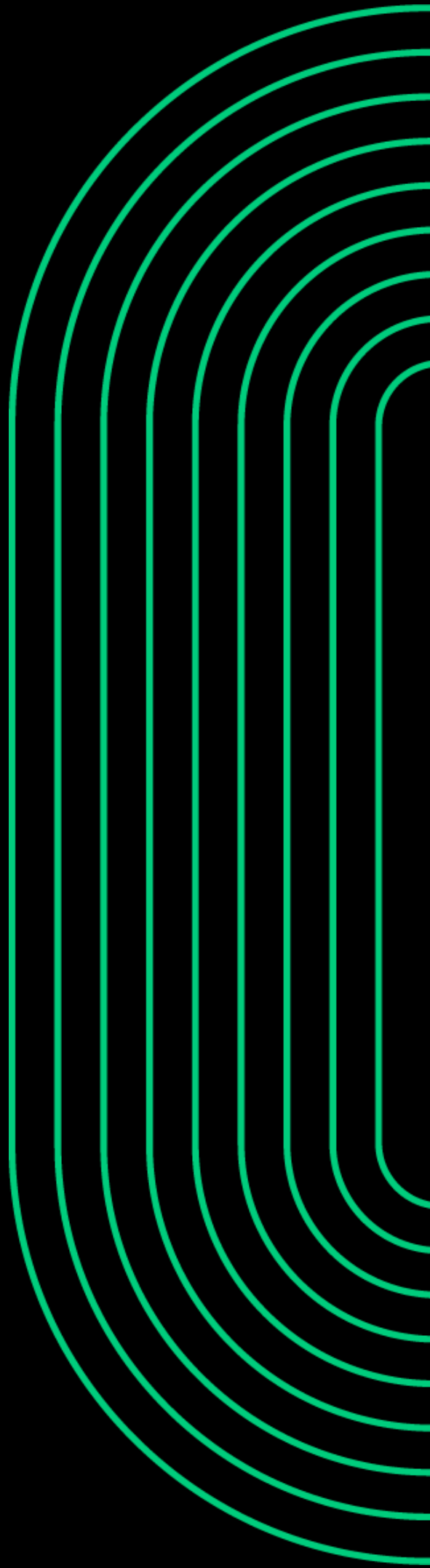




Investing in Mexico: Legal, Tax, and Trade Risks U.S. and Canadian Companies Must Understand

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Trade and Tariffs in 2026

- USMCA remains in force until 2036
- USMCA requires joint reviews every six years
- July 1, 2026 marks the first six-year joint review of the USMCA

2026 USMCA Review Objectives		
United States	Mexico	Canada
<ul style="list-style-type: none">• Strengthen rules of origin (especially automotive)• Block Chinese transshipment through North America	<ul style="list-style-type: none">• Avoid escalation• Preserve trilateral framework	<ul style="list-style-type: none">• Limit unilateral tariffs (auto, dairy, metal)• Restore certainty to North American industry

- Anticipated outcome: likely shift from six-year to annual reviews



Factors Driving Trade Risk Today

U.S. Trade Tools

- Section 232 (autos, steel, aluminum)
- Section 122 (global 10–15%)
- Section 301 (forced labor, enforcement)
- Non-tariff IEEPA authority

Impact

- Incurs section-specific duties
- Mid cycle tariff changes
- Sector- and country-specific exposure
- Sweeping executive authority

North American Investment Strategies for Trade Compliance

- Assume tariff obligations will change
- Prepare for audits, not just base-level compliance
 - Rules of origin
 - HTS Classification
 - Valuation
 - Forced labor supply chain tracing
- Build resilience into margins

Investing in Mexico remains compelling for companies with a broader North American footprint but proactive risk strategies, compliance, and adaptable procedures will determine success.



Status and Expectations of the Hospitality Industry in Mexico

Why invest in the hospitality industry in Mexico?

- Mexico ranked as the world's fourth-largest market for multi-night hotel stays in 2025
- Growing sector: Mexico welcomed 47.8 million international tourists in 2025, a 6% increase from the previous year
- Sustained demand matched by rising investment - Mexico closed 2025 with a tourism investment pipeline valued at US \$36.7 billion, spanning nearly 700 projects across 30 states

Data from Mexican Ministry of Tourism, Deep Market Insights and Mexico Business News



Status and Expectations of the Hospitality Industry in Mexico

Hospitality is a broad industry (hotels & other lodging facilities; restaurants & bars; recreational and sports activities; cultural events and entertainment; living & residences)

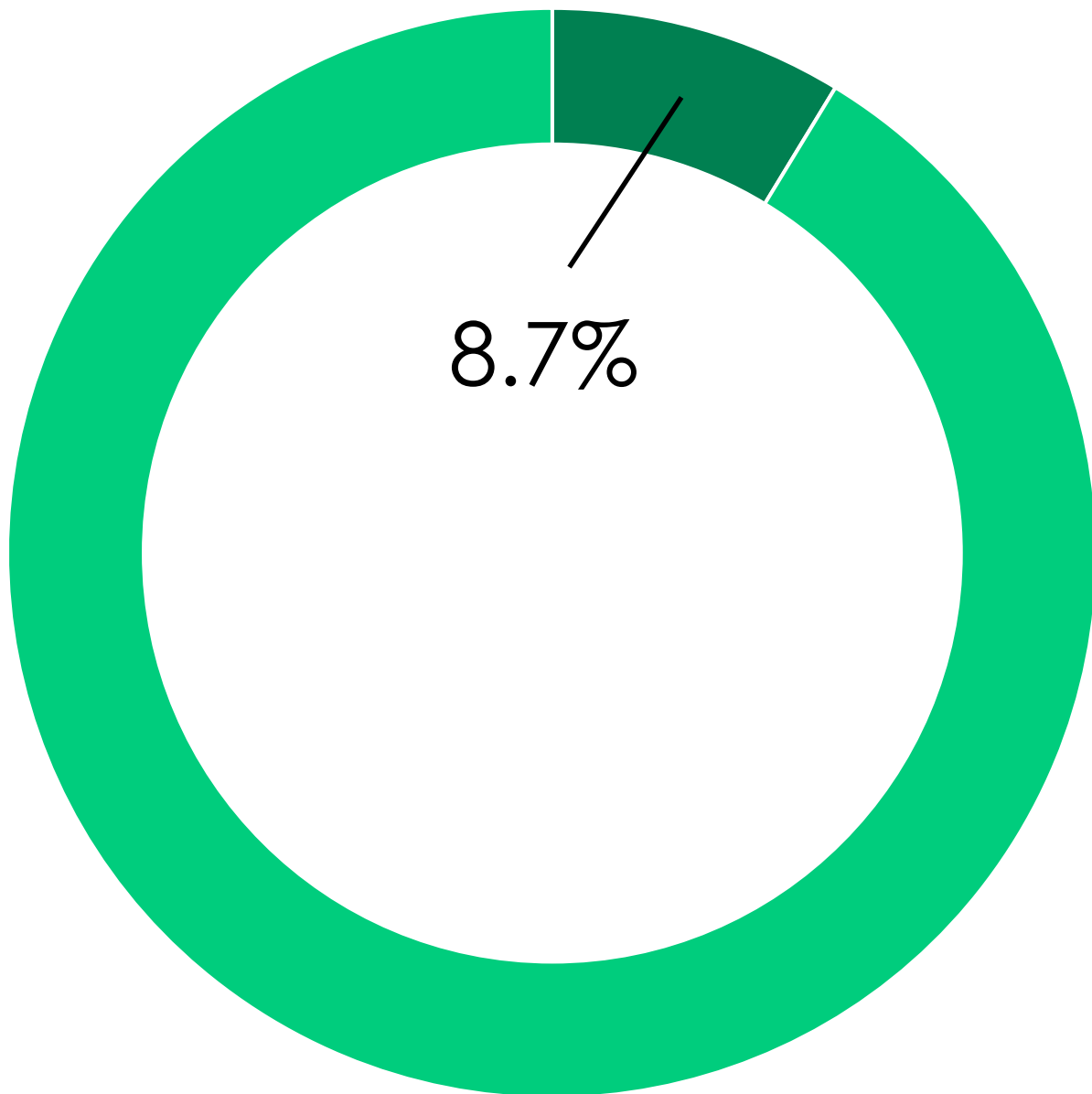
- Resurgent leisure demand, increasing popularity of experiential travel, growth of the all-inclusive segment
- Mexico's emergence as nearshoring hub, attracting foreign direct investment and new jobs
- Global operators and big brands have intensified deal signings, injecting dozens of new flags into urban nodes and coastal enclaves, a show of confidence in the long-term upside of the Mexico hospitality market
- In 2025, Mexico's hospitality and tourism sector showed resilience, contributing roughly 8% to the national GDP

Data from Mexican Ministry of Tourism, Deep Market Insights and Mexico Business News

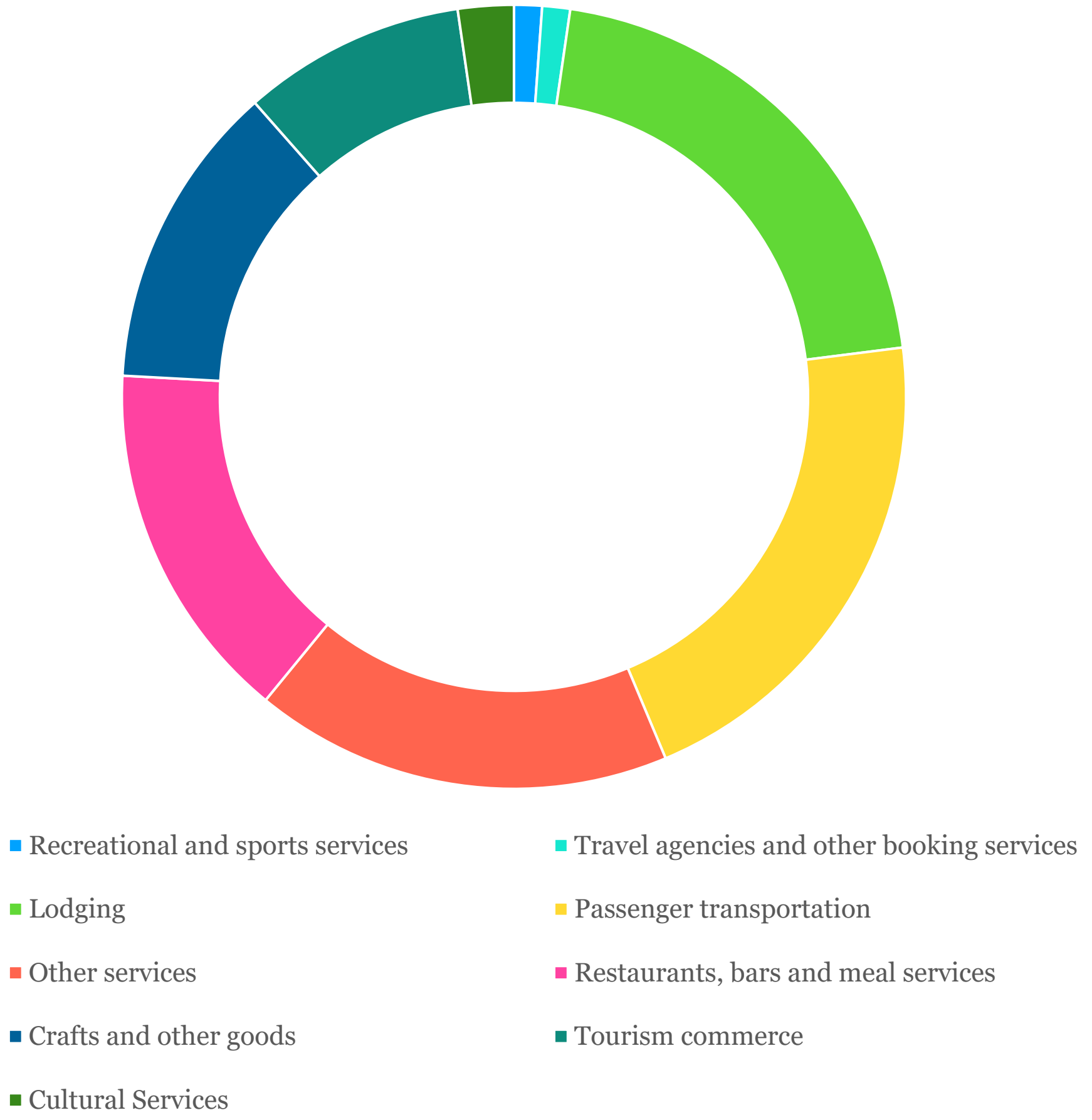


Gross Mexico Hospitality Data

Total 2024 GDP in Tourism



Distribution of 2024 GDP Tourism by Activity



Data from Organización Mundial de Turismo;
Tourism Doing Business – Invirtiendo en México



Mexico Hospitality Market



***Estimated Compound Annual Growth Rate at 6.05% over 26-30)**

Data from Mordor Intelligence



Present and Future of Hospitality Industry in Mexico

Challenges

- Rising cost of doing business (labor, energy, other inputs)
- Increasing competition from other tourism destinations

Growth Catalysts

- The government's commitment to promoting tourism
- The rising affluence of Mexican consumers
- The increasing popularity of Mexico as a tourism destination
- Credit opportunities for Mexico's hospitality sector such as branded residences and wellness projects*

**Banco Sabadell informs it has financed projects for U.S. \$300M over the past 3 years*



Legal Considerations

First Steps for Investment

- Filing your brand (trademark, commercial name)
- Deciding on your best way to invest (forming a Mexican entity; acting through Mexican developer or operator)
- Key point: Choosing your partner wisely

Participation Opportunities

- Franchises, licenses, management agreements
- Considering tax and labor regulations
- Real estate (purchase of property, leasing, trust)

Other legal considerations: protection of personal data and cybersecurity



Mexico's New Infrastructure Law Creates the Clearest Legal Framework Yet For Private Sector Participation in Strategic Public Projects

Legal Framework for Public-Private Infrastructure

Published April 9, 2026 in the DOF. Regulates investment mechanisms for strategic public infrastructure under Plan Mexico and the 2026–2030 Infrastructure Investment Plan. Provides legal certainty for contracts of 4 to 40 years.

→ *Review the project pipeline published at proyectosmexico.gob.mx. Eligible sectors include energy, logistics, water, transportation, and digital infrastructure.*

Special Purpose Vehicles (SPVs) for Project Finance

Projects may be structured through public or private trusts, mandates, or corporate entities (S.A., SAPI, SAB). Public, private, and social sector may participate jointly or separately. SPVs may issue debt instruments subject to the Securities Market Law.

Federal Government Support Mechanisms

Approved projects may access: (i) contributions of resources, (ii) financing structures channeled through SPVs, and (iii) federal guarantees in certain cases. The Strategic Planning Council for Infrastructure Investment oversees project approval.

→ *Government guarantees significantly de-risk infrastructure investments for private capital. Understand the approval criteria and timeline before structuring your bid.*

Tax Incentives Tied to Approved Projects

The Federal Executive may grant fiscal incentives for Proyectos para el Desarrollo con Bienestar. Combined with Plan Mexico accelerated depreciation (35%–91% on new fixed assets, Jan 2025–Sep 2030), the effective after-tax cost of infrastructure investment is materially lower.

→ *Model the after-tax IRR of your project using the available incentives before finalizing your capital structure. The incentive stack is significant — but requires prior project approval.*

Eligible Sectors and Project Types

The law covers strategic infrastructure broadly: energy, transportation, water, telecommunications, logistics, and social infrastructure. Projects must be included in the Infrastructure Investment Plan and approved by the Strategic Planning Council.

→ *Confirm that your target sector and project type qualifies under the law before structuring the investment. Eligibility determines access to SPV financing and federal incentives.*

Rules of Origin for Incentives: Plan Mexico Compliance

Tax incentives under the January 2025 Plan Mexico Decree require: (i) registration with the Evaluation Committee, (ii) assets acquired between Jan 22, 2025 and Sep 30, 2030, and (iii) assets maintained in use for a minimum of 2 years.

→ *Submit your investment project to the Evaluation Committee before the first asset acquisition. The accelerated depreciation does not apply retroactively.*

Contract Structure: Minimum 4 Years, Up to 40

Strategic investment contracts must include: object, capital cost and source, technical specifications, performance levels, risk allocation, termination causes, and dispute resolution. Early termination provisions are strictly regulated.

Key Risk: Political and Regulatory Continuity

Plan Mexico and the infrastructure law are executive initiatives. Changes in administration in 2030 may affect project pipelines, incentive availability, and government support commitments. Longer-dated projects face higher policy risk.



Tax Incentives in Mexico: Real and Substantial

Plan Mexico: Accelerated Depreciation - 35%–91% first-year deduction on new fixed assets (Jan 2025 – Sep 2030). Requires prior registration with the Evaluation Committee. Assets must remain in productive use for at least 2 years — early disposal triggers a clawback.

IMMEX/Maquiladora - Temporary importation of inputs free of VAT and IEPS for export manufacturing. Registration takes 1–3 months and must precede the first import. Combined with a Maquiladora APA, it provides both duty deferral and TP certainty.

Infrastructure Law (April 2026) - Fiscal incentives for approved Proyectos para el Desarrollo con Bienestar (energy, transport, water, digital). Requires prior approval by the Strategic Planning Council. Combines with Plan Mexico depreciation for a material reduction in after-tax cost of capital.

State-Level Incentives - Nearshoring corridors (Sonora, Coahuila, Nuevo León, Jalisco) offer income tax credits and payroll exemptions by state decree. Incentives are not automatic — engage state authorities during site selection.

Bottom Line: Register before the first qualifying expenditure. Model the full incentive stack into your IRR before committing capital — incentives do not apply retroactively.



Tax Treaties: Accessing Benefits Requires More than Just a Holding Company

Beneficial Ownership - New 2024–2025 judicial criteria: entities without real substance, decision-making, or economic risk are denied treaty benefits — regardless of jurisdiction.

Limitation on Benefits (LOB) - Mexico–US treaty LOB: non-US investors routing via US entities must satisfy qualifying person, active business, or derivative benefits tests — or treaty benefits are fully denied.

MLI and Specific Protocols

MLI Principal Purpose Test - Mexico adopted the MLI PPT: benefits denied if obtaining them was a principal purpose of the arrangement.

Spain Protocol (ETVE) - SAT now challenges ETVE structures lacking Spanish-source income. Substance requirements are equivalent to a full beneficial ownership test. MLI PPT applies in addition.

Germany Protocol - Reduced WHT on dividends (5%/15%) and interest (10%). Anti-conduit rule denies benefits if the arrangement was entered primarily to obtain the reduced rate. MLI PPT applies as an additional layer.

Bottom Line: Treaty shopping is no longer viable. Build genuine substance before the first treaty-reduced payment. For non-US investors, verify MLI coverage and the applicable protocol before choosing your holding jurisdiction.



Dividends from Mexico: 10% Withholding is a Starting Point

Standard WTH 10% - Applies to both residents and non-residents on distributions from CUFIN. Excess distributions (above CUFIN) trigger an additional 30% corporate tax — producing a combined effective rate well above 10%. Verify CUFIN balance before every declaration.

Treaty Reduction - Key rates: Mexico–US (5%/10%), Mexico–Netherlands (0%/5%/10%), Mexico–Germany (5%/15%). Recipient must be the beneficial owner and satisfy applicable LOB/PPT requirements.

Participation Exemption

Mexico: No Domestic Exemption - Unlike EU or US regimes, Mexico does not provide a participation exemption for dividends from foreign subsidiaries. A Mexican holding company includes them in taxable income and credits foreign taxes paid (direct and indirect credit).

Upstream Holding Platforms - Groups holding via Netherlands, Luxembourg, or similar participation-exemption jurisdictions can receive Mexican dividends (net of 10% WHT) free from further tax at the holding level — making 10% the effective total cost on repatriation.

Bottom line: Model the full repatriation stack before selecting your platform. Verify CUFIN before each distribution. The holding jurisdiction's participation exemption determines whether 10% is the final cost.



Debt Financing in Mexico: 5 Rules That Determine Whether Deductions Hold

1. Transfer Pricing on Interest - Rate, term, and conditions must be arm's length. TP study required before the first intercompany payment. Excess interest is non-deductible and may be reclassified as a dividend.

2. Withholding Tax on Interest - Domestic rate: 10% (treaty-country banks) to 35% (tax havens / related parties in non-treaty countries). Treaty rates can reduce to 4.9%. Model gross-up and treaty eligibility into financing economics.

3. Thin Capitalization (3:1) - Interest on related-party debt above 3:1 debt-to-equity is non-deductible. Applies to all related-party debt, including loans from group entities. Monitor equity throughout the year.

4. 30% EBITDA Cap (BEPS Action 4) - Net interest deductions capped at 30% of adjusted taxable EBITDA — related-party and third-party debt alike. Disallowed interest carries forward up to 10 years. Must satisfy both the 3:1 ratio and the EBITDA cap simultaneously.

5. Back-to-Back Loans (Créditos Respaldados) - Third-party lender funded or secured by a related party is treated as related-party debt. SAT actively challenges structures designed to circumvent the 3:1 ratio via unrelated banks.

Bottom Line: All five rules must be satisfied simultaneously. Model the capital structure before incorporation — restructuring post-setup is significantly more costly.



USMCA Key Structural Advantage for Manufacturers in Mexico — Only If Rules of Origin Are Engineered Into Supply Chain From Day One

Investment Case: What Makes Mexico Attractive

Tariff Arbitrage Via USMCA

Products manufactured in Mexico with sufficient North American content enter the US and Canada tariff-free. With US tariffs on Chinese goods reaching 145%, Mexico-origin manufacturing is structurally cost-competitive.

→ *Conduct a rules-of-origin analysis before finalizing your manufacturing setup. The benefit is large — but so is the exposure if the certification fails.*

IMMEX / Maquiladora Regime

Allows temporary importation of inputs free of VAT and IEPS for processing and re-export. The deferral is significant for capital-intensive manufacturers. Requires SAT registration and compliance monitoring.

→ *IMMEX authorization takes 1–3 months. Factor this into your operational timeline. Non-compliance voids the deferral retroactively.*

Nearshoring Increases Scrutiny, Not Just Opportunity

Mexico has seen a sharp increase in foreign investment. The SAT has correspondingly increased resources dedicated to auditing newly established foreign-owned entities in manufacturing corridors.

→ *Expect enhanced scrutiny in years 1–3. Invest in compliance infrastructure early — it is far cheaper than responding to a formal audit.*

Risks Investors Frequently Overlook

Rules of Origin Certification is Self-Generated — And Auditable

Since 2020, USMCA origin certification is issued by the exporter or importer directly. A certification error — wrong RVC calculation, incomplete documentation — invalidates the tariff preference and triggers retroactive duties.

→ *Build a dedicated USMCA compliance function. US and Canadian customs authorities can verify certifications directly with Mexican exporters on short notice.*

Automotive Sector: Stricter Content Requirements

Steel and aluminum must be North American origin. Wage rate requirements for a portion of production. Non-compliance disqualifies the vehicle from preferential treatment.

→ *Model USMCA content quarterly. Changes in your supply chain (new suppliers, component substitutions) can push you below threshold without warning.*

Customs Valuation Under SAT Scrutiny

Declared customs value is cross-referenced with CFI and transfer pricing data. Undervaluation — even unintentional — triggers review and potential duty recovery plus surcharges.

→ *Align your customs valuation methodology with your TP policy. Inconsistencies between the two are a primary audit trigger for foreign-owned importers.*

Bottom line: USMCA is a real and substantial advantage. But it is a legal privilege, not an automatic right — one documentation failure can cost the entire benefit retroactively.



Entering Mexico means entering one of the most digitally advanced tax enforcement environments in Latin America

What the SAT Knows About Your Entity — From Day One

Real-time Invoice Validation (CFDI 4.0)

Every transaction issued and received by your Mexican entity is electronically validated. Revenue, VAT, deductions — all cross-referenced automatically. A mismatch with your tax return is flagged immediately.

→ *Data errors are not correctable after the annual return deadline.*

Risk Profiling From the First Filing

The SAT builds a risk score for each taxpayer. Foreign-owned entities with cross-border payments to related parties, royalties, or management fees are automatically high-profile from year one.

→ *Budget for a transfer pricing study before your first intercompany payment — not after your first audit notice.*

Sectors Under Heightened Scrutiny

Manufacturing, maquiladoras, digital services, financial services, and real estate. If your investment falls in any of these, expect enhanced review of your first 1–3 filings.

→ *Engage local tax counsel at the entity setup stage, not after the first tax return is filed.*

What Foreign Investors Frequently Underestimate

Digital Mailboxes are Legally Binding

All official communications — audit notices, tax assessments, requests — are served digitally. Failure to monitor the electronic mailbox is treated as valid notification. Missed deadlines are not recoverable.

→ *Designate a responsible person to monitor the SAT digital mailbox daily. One missed notice can make a liability final.*

Substance is Scrutinized Immediately

Post reform anti-abuse rules (GAAR) allow the SAT to disregard transactions without genuine economic substance. Shell holding structures or management fee arrangements without real activities are high risk.

→ *Document the economic purpose of every intercompany arrangement before the first payment is made.*

Statute of Limitations is 5 Years — But Effectively Longer

The SAT can go back 5 years (10 for certain offenses). For new entrants, this means your first year of operations remains open for review well into your medium-term investment horizon.

→ *Maintain organized tax files — returns, CFDIs, contracts, TP studies — accessible within 48 hours for a 5-year lookback.*



Transfer Pricing Documentation Not a Formality – Primary Line of Defense For Intercompany Structure in Mexico

Common Failure	Consequence for Investor	What To Do Before Investing
No TP study at entity setup	First intercompany payments disallowed as deductions; primary adjustment + penalties up to 55% of the disallowed amount	Commission a TP study before your first intercompany invoice. It must be in place, not in progress, when payments begin.
Generic or outdated study	SAT rejects documentation; burden of proof shifts entirely to the taxpayer to justify margins	Annual update with local comparables. A study from headquarters jurisdiction does not satisfy Mexican requirements.
No intercompany contracts	SAT reclassifies payments as dividends or additional taxable income; double taxation risk	Execute written agreements with arm's length terms for every intercompany flow: services, loans, IP, cost-sharing.
Margins outside interquartile range	Presumption of price manipulation; exposure includes adjustments for all open years (up to 5)	Monitor margins quarterly against the applicable range. Voluntary adjustment before year-end is always less costly than an audit.
No Master File / Local File	Formal penalty + elevated risk flag for groups)	Implement BEPS Action 13 documentation if your group meets the threshold. Mexican rules mirror the OECD standard.

Bottom line: the SAT treats transfer pricing as its primary audit tool for multinational groups. Documentation must be in place before operations begin — not assembled in response to a notice.



The Question is Not Whether to Invest in Mexico — It is How to Structure the Investment So Tax Risk Does Not Erode the Return

BEFORE YOU INVEST — Structure and Diligence

- Choose the right entry vehicle
- Conduct tax due diligence on Mexican targets
- Get TP in place before day one

S.A. de C.V. and S. de R.L. de C.V. are the standard. SAPI or SAB if you plan capital market access. Consider a Mexican holding company if you have multiple operating entities — it simplifies TP, dividend flows, and exit.

Open tax years, audit history, CFDI compliance, transfer pricing documentation, customs and IMMEX status. A clean acquisition is far less expensive than inheriting a contingency.

Commission the intercompany pricing study and execute contracts before the first payment. This is your first and most important line of defense.

WHILE OPERATING — Compliance and Monitoring

- Monitor the SAT digital mailbox every business day
- Reconcile CFDI to tax returns monthly
- Maintain a 5-year tax file – be audit-ready at all times

One missed notice can make a tax assessment final. This is the single most common source of avoidable tax liability for foreign-owned entities in Mexico.

Do not wait for the annual return to discover discrepancies. Real-time reconciliation eliminates the most common SAT audit trigger.

Tax returns, CFDIs, intercompany contracts, TP studies, customs records. Accessible within 48 hours. The SAT does not give advance notice of field visits.

WHEN THERE IS A DISPUTE — Defense Strategy

- Evaluate PRODECON before filing a formal appeal
- Post-2026: Budget for guarantee if you appeal
- Involve tax counsel at the first contact, not the last

The taxpayer advocate process is faster (months vs. years) and does not require posting security.

Revocation appeal now requires security equal to the assessed amount. Factor this into your litigation reserve — it is a real liquidity cost, not a formality.

The most expensive tax disputes in Mexico arise because management responded to the first SAT notice without legal counsel. Early involvement shapes the entire proceeding.



Labor Relationships Mexico/United States

Aspect	Mexico	United States
Employment Model	Protective	Flexible
Termination	Requires Cause	At-Will
Severance	Mandatory (if unjustified dismissal)	Generally not required
Benefits	Legally mandated	Mostly discretionary
Unions	Strong presence	Less influential

Minimum Wage

Year	Increase
2020	~20%
2021	15%
2022	22%
2023	20%
2024	20%
2025	12%
2026	~13%

Bottom line: Increased from approximately MXN \$123 per day (2020) to over MXN \$315 per day (2026)



Working Shift – Reduction of Hours

Year	Hours Per Week
2026	48
2027	46
2028	44
2029	42
2030	40

Christmas Bonus

Years Employed	Minimum Payment: Days of Salary
Year 1	15 days
Years 2-3	20 days
Years 4-5	25 days
Years 6+	30 days





Thank You

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