

# Mexico 2017 Repatriation Tax Amnesty

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A new amnesty program to incentivize the repatriation of funds kept abroad by Mexican taxpayers was launched. The program will be open until mid-2017 and participants would be obliged to comply with specific requirements, which include paying an 8% tax on all repatriated funds and maintaining the repatriated funds invested in Mexico for at least two years.

On January 18, 2017, a Presidential Decree (*Decreto que otorga diversas facilidades administrativas en materia del impuesto sobre la renta relativo a depósitos o inversiones que se reciban México*) to facilitate the repatriation of funds kept abroad by Mexican resident taxpayers was published in the Official Gazette of the Federation.

Such Decree provides that, during a six month period starting January 19, 2017, Mexican resident taxpayers, and permanent establishments in Mexico of non-Mexican residents, who, directly or indirectly, obtained income that has been kept abroad until December 31, 2016, may elect to pay the income tax applicable on such income by applying an 8% flat rate on all funds repatriated to Mexico, and complying with the rules set forth in the Decree.

The benefits granted in the Decree are only applicable to income and investments repatriated to Mexico during the six month period provided in the Decree to the extent such funds remain invested in Mexico for at least two years. Income is deemed invested in Mexico if the funds are devoted to any of the following items:

- Acquisition of fixed assets that are deductible for income tax purposes and used in the taxpayer's income generating activities.
- Acquisition of land or constructions located in Mexico that are used in the taxpayer's income generating activities.
- Research and development expenses related to the taxpayer's own projects.
- Payment of liabilities contracted with independent parties, provided that such payment is made through a Mexican banks or brokerage houses.
- Investments made through Mexican banks or brokerage houses

The Decree is not applicable to (i) items of income obtained by taxpayers that are under audit or review by tax authorities or for which a taxpayer initiated any jurisdictional or administrative legal proceeding; (ii) income originated by illegal activities, and (iii) items of income that generated a deduction to Mexican tax residents or non-residents with a permanent establishment in Mexico.

Finally, it is provided that the Revenue Service Administration may issue rules for the application and interpretation of the Decree.

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