

October 29, 2021  
2021-6125

## Mexican Congress approves 2022 tax reform

*Both Houses of Congress in a fast-track process approved the Economic Proposal for 2022. The Economic Proposal contains tax reform that focuses on eliminating loopholes in the legislation where there are perceived abuses by taxpayers. Companies should assess whether enhancements or modifications to existing structures are required.*

With prior approval by the Lower Chamber of Congress, the Mexican Senate swiftly approved on 26 October 2021 President Andres Manuel's Economic Proposal for 2022, which includes the Revenue Law and tax reform. The Congress did not make significant changes to the original proposal. According to the Explanatory notes on the Bill, the tax reform focuses on closing loopholes in legislation where there are perceived abuses by taxpayers. It also would grant the Mexican tax authorities (SAT per its acronym in Spanish) additional collection tools and power in the audit process to challenge the substance and business purpose of transactions retroactively.

The President is expected to sign and publish the tax reform legislation soon. The tax reform would be effective 1 January 2022.

The tax reform would:

- Amend the transfer pricing rules to allow maquiladoras to qualify for the permanent establishment exemption
- Amend the thin capitalization rules
- Expand the definition of back-to-back loans to include any transaction lacking business purpose
- Limit the benefits for non-regulated special purpose financial institutions (SOFOMs)

- Require taxpayers to have a valid business purpose for domestic restructurings, spin-offs and mergers and additional reporting for those transactions

For more details on the tax reform, see EY Global Tax Alert, [Mexico's 2022 economic proposal focuses on eliminating loopholes](#), dated 17 September 2021.

---

For additional information with respect to this Alert, please contact the following:

**Ernst & Young, LLP (United States), Latin America Business Center, New York**

- Lucas Moreno | [lucas.moreno@lan.ey.com](mailto:lucas.moreno@lan.ey.com)
- Ana Mingramm | [ana.mingramm@ey.com](mailto:ana.mingramm@ey.com)
- Enrique Perez Grovas | [enrique.perezgrovas@ey.com](mailto:enrique.perezgrovas@ey.com)
- Jose Manuel Ramirez | [jose.manuel.ramirez@ey.com](mailto:jose.manuel.ramirez@ey.com)
- Pablo Wejcman | [pablo.wejcman@ey.com](mailto:pablo.wejcman@ey.com)

**Ernst & Young LLP (United States), Latin America Business Center, Chicago**

- Alejandra Sanchez | [alejandra.sanchez@ey.com](mailto:alejandra.sanchez@ey.com)

**Ernst & Young LLP (United States), Latin America Business Center, Miami**

- Terri Grosselin | [terri.grosselin@ey.com](mailto:terri.grosselin@ey.com)

**Ernst & Young, LLP (United States), Latin America Business Center, San Diego**

- Ernesto Ocampo | [ernesto.ocampo@ey.com](mailto:ernesto.ocampo@ey.com)

**Ernst & Young LLP (United Kingdom), Latin American Business Center, London**

- Lourdes Libreros | [lourdes.libreros@uk.ey.com](mailto:lourdes.libreros@uk.ey.com)

**Ernst & Young Tax Co., Latin America Tax Desk, Japan & Asia Pacific**

- Raul Moreno, Tokyo | [raul.moreno@jp.ey.com](mailto:raul.moreno@jp.ey.com)
- Luis Coronado, Singapore | [luis.coronado@sg.ey.com](mailto:luis.coronado@sg.ey.com)

---

The information contained herein is general in nature and is not intended, and should not be construed, as legal, accounting or tax advice or opinion provided by Ernst & Young LLP to the reader. The reader also is cautioned that this material may not be applicable to, or suitable for, the reader's specific circumstances or needs, and may require consideration of non-tax and other tax factors if any action is to be contemplated. The reader should contact his or her Ernst & Young LLP or other tax professional prior to taking any action based upon this information. Ernst & Young LLP assumes no obligation to inform the reader of any changes in tax laws or other factors that could affect the information contained herein.

**Copyright © 2021, Ernst & Young LLP.**

All rights reserved. No part of this document may be reproduced, retransmitted or otherwise redistributed in any form or by any means, electronic or mechanical, including by photocopying, facsimile transmission, recording, rekeying, or using any information storage and retrieval system, without written permission from Ernst & Young LLP.

Any U.S. tax advice contained herein was not intended or written to be used, and cannot be used, by the recipient for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code or applicable state or local tax law provisions.

"EY" refers to the global organisation, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients.

[Privacy](#) | [Cookies](#) | [BCR](#) | [Legal](#) | [Global Code of Conduct](#)