

Reform to the Financial Code of the State of Mexico and Municipalities | New Emissions Tax

Mexico City, February 22, 2022

On January 31, 2022, was published in the Official Gazette of the State of Mexico (*Periódico Oficial del Estado de México*) the "Decree Number 21. By which several provisions of the Financial Code of the State of Mexico and Municipalities were amended, added and derogated (*Decreto Número 21. Por el que se reforman, adicionan y derogan diversas disposiciones del Código Financiero del Estado de México y Municipios*) (the "Decree").

The Decree adds Seventh Section (*Of the Tax on the Emission of Contaminant Gases into the Atmosphere*), which establishes the obligation of individuals and legal entities with stationary sources¹ of state jurisdiction in the State of Mexico to pay the tax on contaminant gases into the atmosphere (the "Emissions Tax"), in accordance with the following:

- (a) For purposes of the Emissions Tax, "emission of contaminant gases into the atmosphere" are considered to be the direct or indirect emission into the atmosphere of carbon dioxide (CO₂), methane and nitrous oxide (collectively, "Greenhouse Gases").
- (b) Payment of the Emissions Tax will be determined considering the tons (individually or jointly) of Greenhouse Gases emissions, which are emitted into to the atmosphere by stationary sources, which are not under Federal jurisdiction and located in the State of Mexico.
- (c) In order to determine the tons of greenhouse gases emitted to the atmosphere, the conversion of CO₂ will be conducted, methane and nitrous oxide to CO₂, in other words, each ton of CO₂, methane and nitrous oxide emitted must be multiplied by its CO₂ equivalence established in the Decree, as shown below:

¹ Installation established on a permanent basis, whose purpose is to develop operations or processes of an industrial or commercial nature, as well as services and activities that generate or may generate polluting emissions into the atmosphere.



Gas Name	Tons	Equivalence of CO ₂
CO ₂	1	1
Methane	1	28
Nitrous Oxide	1	265

- (d) Once the tons of CO₂, methane and nitrous oxide have been multiplied to the relevant CO₂ equivalence, the total tons of CO₂ will have been obtained.
- (e) The Emissions Tax will be caused at the emission of the Greenhouse Gases into the atmosphere within the territory of the State of Mexico and, consequently, a fee of MNX\$43.00 (USD\$2.15, approximately) per ton of carbon dioxide will be applied.
- (f) Taxpayers will make monthly payments on account of the annual tax, which should be filed no later than the 10 (tenth) day of the following month in which the Emissions Tax was caused.
- (g) Taxpayers will annually pay the Emissions Tax, which should be filed no later than April of the following fiscal year in which the corresponding tax was caused, in accordance with the General Rules to be issued by the competent tax authority, which shall be published in the Official Gazette "*Gaceta del Gobierno*".
- (h) In addition to the payment of their tax obligations, those generating Greenhouse Gases emissions into the atmosphere must: (i) register with the Ministry of Environment of the State of Mexico (*Secretaría del Medio Ambiente del Estado de México*) ("SAEM"); (ii) annually submit before the SAEM the Integral Emissions Inventory (*Cédula de Operación Integral*) or, as the case may be, the Annual Emissions Inventory (*Cédula de Operación Anual*) delivered to the Ministry of Environment and Natural Resources (*Secretaría de Medio Ambiente y Recursos Naturales*); and (iii) keep a Contaminants Emissions Registry.
- (i) The resources collected from the Tax Emissions, shall be used for actions to guarantee people's right to a healthy environment for their development and wellbeing.

The Emissions Tax will become effective as of April 1, 2022, in accordance with the Third Transitory Article of the Decree. Therefore, the deadline to challenge the Emissions Tax is May 13, 2022.

In case of any doubt or assistance required, please contact us.

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