

## Tax incentives - hurricane Otis

Mexico City, November 1<sup>st</sup>, 2023

On October 30, a decree was published in the Official Federal Gazette ("DOF") to grant tax incentives to taxpayers of the state of Guerrero that were affected by Hurricane Otis (the "Decree").

The Decree targets taxpayers that have a fiscal residence, agency, branch, or any other establishment within the affected areas referred to in the Natural Disaster Declaration that shall be issued by the competent authority ("Affected Taxpayers"). To this date, there has not been a Natural Disaster Declaration in relation with Hurricane Otis<sup>1</sup>.

It is considered that taxpayers have a fiscal residence, agency, branch, or any other establishment within the affected areas as long as they filed the applicable notices to the Federal Taxpayers Registry before October 24, 2023.

The granted tax incentives are the following:

Subject	Tax incentive	Commentary
Affected Taxpayers	<b>Immediate deduction of investments</b> made in new or used fixed assets within the affected areas, between October and December of 2023.	<ul style="list-style-type: none"><li>• The deduction will be applicable in the fiscal year in which the fixed assets are acquired (2023).</li><li>• The rate of 100% is applicable on the original investment amount.</li><li>• Fixed assets must be used exclusively and permanently within the affected areas.</li><li>• Fixed assets must be used for reconstruction or rehabilitation.</li><li>• If the taxpayer has an insurance against damages on assets that were totally or partially declared as a loss, the incentive will only be applicable on the additional amounts to those recovered that are invested in fixed assets.</li><li>• Not applicable on vehicles, armored equipment for vehicles or any fixed assets that cannot be individually identified.</li></ul>
Affected Taxpayers that pay salaries or	<b>Deferral on withholding income tax</b> for October, November, and December.	<ul style="list-style-type: none"><li>• Personnel for which the withholding tax is payable shall render services within the affected areas.</li></ul>

<sup>1</sup> On October 30th, an Emergency Declaration for the state of Guerrero was published in the DOF.

subordinate personal services		<ul style="list-style-type: none"> <li>First payment (October) will be due in January, second (November) in February and third (December) in March, all of 2024.</li> <li>No inflationary adjustment, surcharges or fines will be applicable.</li> <li>Not applicable to payments assimilated to salaries.</li> </ul>
Affected Taxpayers obliged to VAT e IEPS	<b>Deferral on definitive payments for VAT and IEPS</b> for October, November, and December.	<ul style="list-style-type: none"> <li>VAT and IEPS payments shall derive from activities executed within the affected areas.</li> <li>First payment (October) will be due in January, second (November) in February and third (December) in March, all of 2024.</li> <li>No inflationary adjustment, surcharges or fines will be applicable.</li> </ul>
Affected Taxpayers Corporations and individuals subject to general regime, simplified trust regime, business activity, tech platforms regime and leasing of real state	<p>Taxpayers are exempt from <b>provisional Income Tax payments</b> for: (i) October, November and December 2023, (ii) fourth trimester of 2023, or (iii) third quarter of 2023, as applicable depending on the tax regime.</p> <p>Individuals under the Simplified Trust Regime are exempt of filing monthly payments for October, November, and December 2023.</p>	<ul style="list-style-type: none"> <li>Income for which the tax is due must correspond to the fiscal residence, agency, branch, or any other establishment within the affected areas.</li> </ul>
Affected Taxpayers subject to tax incorporation regime	Obligation to file <b>tax returns</b> for the fifth and sixth bimester of 2023 is postponed.	<ul style="list-style-type: none"> <li>Tax returns shall be filed no later than February 2024.</li> <li>Income must correspond to the fiscal residence, agency, branch, or any other establishment within the affected areas.</li> </ul>
Affected Taxpayers subject to tech platforms regime	Obligation to pay <b>Income Tax</b> for October, November and December 2023 is postponed.	<ul style="list-style-type: none"> <li>Payments shall be made no later than February 2024.</li> <li>Income must correspond to the fiscal residence, agency, branch, or any other establishment within the affected areas.</li> </ul>
Affected Taxpayers subject to agriculture, livestock, fisheries or forestry regime	If taxpayer opted for semi-annual <b>provisional payments of Income Tax</b> during the second semester of 2023, when applicable, may opt to file monthly VAT tax returns that correspond to such semester.	<ul style="list-style-type: none"> <li>Exercising this option will not be considered as default on the requirements to access the option of semi-annual provisional payments of Income Tax.</li> </ul>
Affected Taxpayers	<b>VAT refund requests</b> that filed no later to December 2023, corresponding to favorable balances generated before such month, shall be <b>processed in 20 days (i.e., half of the legal time-limit)</b> .	<ul style="list-style-type: none"> <li>This incentive excludes: (i) taxpayers included in the list set forth by article 69-B of the Federal Tax Code (EFOS); (ii) taxpayers that request refunds based on invoices issued by EFOS; (iii) taxpayers to which the digital certificate to issue invoices has been permanently restricted, and (iv) taxpayers that were audited before October 30 to verify the applicability of a requested refund.</li> </ul>
Affected Taxpayers with authorization for installment payments of omitted taxes	<b>Authorized installment payments</b> corresponding to October 2023 and subsequent months may be postponed until February 2024.	<ul style="list-style-type: none"> <li>It will not be considered that installment payments were defaulted; no surcharges will be applied.</li> </ul>
Affected Taxpayers	Taxpayers that opt for <b>partial payments</b> in terms of this Decree will be exempt from posting a security for the tax liability.	<ul style="list-style-type: none"> <li>If taxpayer defaults totally or partially any payment referred to by the Decree all benefits shall be repealed.</li> </ul>



Affected Taxpayers individual with residences in the affected areas	Income derived from <b>economic or monetary support</b> provided by authorized charities (corporations or trusts) will not be considered taxable income.	<ul style="list-style-type: none"> <li>Economic or monetary support shall not derive from related parties and such support must be destined to reconstruction or repair of the residence.</li> </ul>
Affected Taxpayers	<p>If taxpayers have their fiscal residence outside the affected areas, but hold a branch, agency, or any other establishment within such areas, they may apply the tax incentives.</p> <p>If taxpayers have their fiscal residence within the affected areas, but hold a branch, agency, or any other establishment outside such areas, they may apply the tax incentives.</p>	<ul style="list-style-type: none"> <li>Incentives will be applicable only to the income, assets, withholdings, value of acts or activities and expenditures, corresponding to the fiscal residence, branch, agency, or any other establishment located within the affected areas.</li> </ul>
Authorized Charities	It will be considered that civil organizations and trusts with authorization to receive deductible donations comply with their authorized company purpose when such entities grant donations to affected taxpayers for the reconstruction or reparation of their residence.	<ul style="list-style-type: none"> <li>Without commentary</li> </ul>

If you require assistance with any matter related with this newsletter, please do not hesitate in reaching out to any of the partners of our Tax practice: Gabriela Pellón ([gpellon@galicia.com.mx](mailto:gpellon@galicia.com.mx)), Federico Scheffler ([fscheffler@galicia.com.mx](mailto:fscheffler@galicia.com.mx)), Eduardo Michán ([emichan@galicia.com.mx](mailto:emichan@galicia.com.mx)), Denise Lester ([dlester@galicia.com.mx](mailto:dlester@galicia.com.mx)) y/o Edson Uribe ([euribe@galicia.com.mx](mailto:euribe@galicia.com.mx)).

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