U.S. Chamber of Commerce

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Senator Miguel Ángel Yunes
Chair of Finance and Public Credit Committee
Senate of the Republic of Mexico
Mexico City, Mexico

Dear Senator Yunes:

On behalf of the U.S. Chamber of Commerce, we respectfully submit the following observations regarding the proposed income tax and revenue measures in Mexico's proposed 2027 Economic Package and their potential implications for U.S. investment, bilateral tax certainty, employment, supply-chain activity, and economic growth in Mexico.

As you may know, the U.S. Chamber is the world's largest business federation, promoting free enterprise to foster trade, investment, and growth globally. Our organization represents companies of every size and sector, and we work with thousands of local, regional, and sectoral business organizations, including 130 American Chambers of Commerce (AmChams), all around the world.

The U.S. Chamber supports Mexico's objective of strengthening tax compliance, addressing simulated transactions, and combating abusive tax practices. Measures that reinforce the integrity of the tax system are important to promote competition, fiscal sustainability, and legal certainty. At the same time, several of the proposed reforms could create significant unintended consequences for formal, compliant companies with real operations, documented costs, employees, assets, and long-term investments in Mexico.

For these reasons, the Chamber respectfully urges the Senate not to approve the 2027 Economic Package as currently drafted. Instead, we encourage the Senate to allow for modifications that would preserve the reforms' anti-abuse objectives while avoiding unnecessary harm to compliant taxpayers, productive investment, employment, and Mexico's competitiveness.

As currently drafted, the proposed reforms are difficult to reconcile with fundamental principles of sound tax policy as reflected in Organization for Economic Co-operation and Development (OECD) guidance, including those concerning tax certainty,

administrability, proportionality, taxation of net income, avoidance of double taxation, and respect for bilateral dispute-prevention mechanisms such as Advance Pricing Agreements (APAs). Rather than focusing narrowly on abusive conduct or transactions lacking economic substance, the proposal would broadly limit the deduction of ordinary and necessary business expenses, accelerate tax payments, and create timing mismatches in cross-border transactions. These outcomes would increase uncertainty for compliant taxpayers and discourage investment in Mexico.

The Chamber is particularly concerned that the proposal would operate as a minimum taxable-profit threshold regardless of actual economic profitability. This is especially problematic for businesses that operate with structurally low margins or require significant expenditures on inventory, logistics, manufacturing inputs, payroll, leases, depreciation, financing, and capital investment. In these cases, the proposed reform would materially increase taxable income even where the underlying deductions are for substantiated ordinary and necessary business expenses. What's more, large, publicly traded corporations are widely recognized as among the most transparent and compliant taxpayers globally, operating under extensive financial reporting, disclosure, and tax compliance obligations across jurisdictions.

For U.S. companies operating integrated North American business models, these concerns are not theoretical. Member-company feedback reveals that the proposed deduction limitation, combined with the proposed restrictions on tax losses, interest deductibility, provisional payments, and payments to foreign residents, would increase cash tax costs, reduce working capital, and affect future decisions regarding investment, hiring, store and facility expansion, supply-chain modernization, and pricing. In effect, this would be counter-productive, leading to lower investment, less job creation, lower GDP, and higher prices. A 2026 study in the *American Economic Review* led by Harvard professor Gabriel Chodorow-Reich concludes that higher effective corporate taxes tend to reduce investment at the margin. Member companies have identified material impacts, including increased current tax expense, reduced cash flow, and greater uncertainty regarding the recovery of deferred deductions.

The Chamber is particularly concerned that the proposed measures would negatively affect legitimate business operations in numerous ways:

- General limitation on deductions. The proposed limitation would deny or defer deductions for ordinary and necessary operating expenses, including cost of goods sold, payroll, leases, logistics, depreciation, inventory, and other expenses that are essential to generating taxable income. This is inconsistent with the

fundamental principle that tax should be imposed on *net* income rather than gross receipts or artificial taxable income. For low-margin businesses in particular, the proposal could result in tax being imposed at levels that do not reflect actual economic profitability.

- **Lack of proportionality.** A broad deduction limitation that applies to legitimate operating expenses would have a disproportionate impact on compliant taxpayers, particularly those in low-margin, inventory-intensive, capital-intensive, or logistics-heavy sectors. This outcome is not aligned with OECD guidance favoring targeted, proportionate anti-abuse rules that distinguish between genuine commercial activity and abusive tax planning.
- **Impact on investment and employment.** By increasing the effective tax burden on compliant taxpayers, the proposal would reduce cash flow available for capital expenditures, manufacturing and distribution operations, supply-chain localization, infrastructure, technology, workforce growth, and job creation.
- **Interest deductibility.** The proposal to lower the net interest deduction limitation from 30% to 20% of adjusted taxable income would increase the after-tax cost of capital, which would reduce investment in Mexican's economy and adversely impact jobs, employee compensation, and GDP. While OECD BEPS Action 4 contemplates certain limits on the deductibility of net interest expense, Mexico's system already includes additional constraints—including on the treatment of inflationary components of debt. As a result, the proposed 20% limitation would place Mexico at a material competitive disadvantage relative to its OECD peers.
- **Tax losses.** Limiting the use of tax losses to 50% of taxable income, including losses generated before the reform takes effect, would disrupt settled investment expectations and extend the recovery period for projects that were financed and structured under existing rules. This raises legal-certainty concerns, particularly for capital-intensive sectors and long-cycle investments where tax attributes were factored into investment decisions.
- **Provisional tax payments.** The proposed adjustments to provisional payment calculations could require companies to make payments that materially exceed their expected annual tax liability, creating liquidity pressures, increasing financing costs, and potentially generating refund balances that may take time to recover. This approach would reduce predictability and undermine the administrability of the tax system.

- **Payments to foreign residents.** Conditioning deductibility on payment and withholding remittance, while potentially triggering withholding upon accrual, would create timing mismatches, administrative complexity, and double taxation risks in routine cross-border transactions. Requiring withholding before an actual payment is made would also create tension with treaty-based principles that generally focus on payments effectively made and is likely inconsistent with the terms of the Mexico–U.S. Income Tax Convention.
- **Bilateral tax certainty and APAs.** The proposed reforms would affect transactions covered by existing Mexico–U.S. bilateral APAs or other transfer pricing arrangements. A mechanical limitation on deductions could alter the economic outcomes negotiated and accepted by both tax authorities, increasing the risk of double taxation and weakening the certainty that these bilateral frameworks are designed to provide. This would be inconsistent with the broader OECD-recognized objective of enhancing tax certainty and reducing disputes through coordinated, predictable rules.
- **Compliance burden and deferred tax uncertainty.** The proposed reforms would require companies to track disallowed deductions over extended periods while uncertainty remains about whether those amounts can be fully recovered in the future. This would increase accounting, reporting, and compliance burdens for taxpayers that are otherwise in good standing.
- **Carryforward of disallowed deductions:** The proposed reforms would not adequately address the treatment of disallowed deductions. While the ability to carry forward such deductions to a subsequent year may be intended to mitigate the effect of disallowance, in practice it may provide no meaningful relief; where the underlying limitation persists, the carried-forward amounts would remain unusable indefinitely. Analyses by major accounting firms echo this concern.

The Chamber believes the proposed reforms' anti-abuse objectives can be achieved through a more targeted approach that protects Mexico's revenue base without discouraging investment by compliant taxpayers. We respectfully encourage consideration of the following modifications:

1. **Target abusive transactions rather than ordinary business expenses.** Exclude objectively verifiable operating costs, including cost of goods sold, payroll, leases, logistics, depreciation, and other documented third-party expenses indispensable to generating income.

2. **Align the reform with OECD principles of tax certainty, administrability, and proportionality.** Any new limitation should be narrowly tailored, predictable, and administrable, and should distinguish between abusive transactions and legitimate commercial activity.

3. **Establish a compliance-based safe harbor.** Provide relief for taxpayers with real operations in Mexico, traceable costs, proper supporting documentation, electronic invoicing, positive compliance status, transfer pricing documentation, and substantial employees and assets.

4. **Protect structurally low-margin businesses.** Exclude low-margin businesses from the proposed limitation or adopt a progressive mechanism that avoids confiscatory effective tax rates and reflects actual economic capacity.

5. **Preserve existing tax attributes.** Allow full use of losses generated before the reform's effective date and avoid retroactive changes to tax attributes that were relied upon when investment decisions were made.

6. **Maintain the current interest deductibility threshold.** Preserve the existing 30% EBITDA-based limitation or, at minimum, provide a transition period and exemptions for infrastructure, productive investment, and project financing.

7. **Preserve bilateral tax certainty.** Ensure that transactions covered by existing APAs and other bilateral tax arrangements are not undermined by the new rules.

8. **Ensure full future recovery of deferred deductions.** Create a clear mechanism to utilize carried-forward disallowed deductions and avoid overlapping limitations that could turn a timing difference into a permanent tax cost.

9. **Align provisional payments with expected annual liability.** Permit taxpayers to adjust provisional payments based on expected annual results to reduce unnecessary working-capital pressure.

10. **Coordinate cross-border payment rules with treaty obligations and international practice.** Avoid withholding obligations triggered before payment where no cash flow exists and clarify the interaction of the rules with tax treaties, foreign tax credits, and bilateral dispute-resolution mechanisms.

11. **Provide transition rules and consultation.** Grandfather existing investments, financing arrangements, and previously generated tax attributes, and engage in a technical dialogue with affected industries before final implementation.

The Chamber respectfully asks the Senate to continue deliberations with the private sector, tax experts, and affected industries before advancing the 2027 Economic Package. Our concern is not with the objective of combating tax abuse, which we support, but with the fact that its current design would inappropriately penalize legitimate U.S. investment, depart from fundamental, OECD-recognized principles of sound tax policy and administration, reduce tax certainty, increase double-taxation risks, and negatively affect employment, supply chains, and growth in Mexico.

A predictable, transparent, and competitive tax environment is essential to the continued strength of the Mexico–U.S. economic relationship. Strengthening public finances and preserving Mexico's competitiveness are complementary objectives. With targeted adjustments, Mexico can advance its revenue and compliance goals while maintaining the conditions necessary for investment, formal employment, and North American competitiveness.

We remain available to provide additional information or technical support that may be helpful as the Senate evaluates the proposal and considers modifications to ensure the final package supports both stronger tax compliance and continued economic growth. Should you have any questions or need additional information, please do not hesitate to contact me or Isabel Quiroz, Executive Director of the Chamber's U.S.-Mexico Economic Council, at (202) 909-3997 or iquiroz@uschamber.com.

Sincerely,



Neil Herrington
Senior Vice President, Americas
U.S. Chamber of Commerce

cc. Senator Manuel Huerta, Chair of Legislative Studies Committee
Senator Ignacio Mier, Morena Parliamentary Group Coordinator and Chair of Political Coordination Board (Jucopo)
Deputy Ricardo Monreal, Morena Parliamentary Group Coordinator and Chair of Political Coordination Board (Jucopo)
Lázaro Cárdenas Batel, Chief of Staff, Office of President Claudia Sheinbaum

Édgar Amador Zamora, Secretary of Finance
Marcelo Ebrard, Secretary of Economy
Antonio Martinez Dagnino, Head of the Tax Administration Service
Roberto Lazzeri, Ambassador of Mexico to the United States