

February 13th, 2017

## UPDATE: SPECIAL ECONOMIC ZONES

On January *Vázquez Tercero & Zepeda* (“VTZ”) published a Report on Mexico’s Special Economic Zones (“SEZ”), and this update will inform the new significant developments regarding the implementation of the Mexican Special Economic Zones.

This update will inform the new plans for the Special Economic Zones, the actions undertaken by State and Local Authorities, **and the Federal, State, and Local incentives that were recently announced last Friday, February 10<sup>th</sup>, 2017.**

### **1. MORE SPECIAL ECONOMIC ZONES ON THEIR WAY.**

As noted in our *SEZ Report*, the first Special Economic Zones to be established will be in Lázaro Cardenas and its surroundings (States of Michoacán and Guerrero), Salina Cruz-Coatzacoalcos (States of Guerrero and Veracruz), and Puerto Chiapas (State of Chiapas).

Recently, Mexican authorities have announced that they will also establish Special Economic Zones in States that are located in the Gulf of Mexico and Yucatan Peninsula, namely Tabasco, Campeche and Yucatan (Puerto Progreso). This will be done after the first semester of 2017.

Furthermore, States such as Puebla and Hidalgo, which are located in Eastern Mexico, have also manifested their interest in having a SEZ in their territory.

## 2. STATE AND LOCAL AUTHORITIES.

Six local laws have already been published, and, of course, most laws are from those States in which the first SEZ will be established. In particular, Chiapas, Guerrero, Oaxaca, and Veracruz have already published their law, while the State of Michoacán is still discussing the law in its congress.

Likewise, the States of Yucatán and Tabasco are also taking firm steps for their SEZ, as they already published their Law.

**Table 1. Local Laws**

States with the First SEZs	
Chiapas	<a href="http://www.congresochiapas.gob.mx">www.congresochiapas.gob.mx</a>
Guerrero	<a href="http://periodicooficial.guerrero.gob.mx">periodicooficial.guerrero.gob.mx</a>
Michoacán ( <i>Law initiative</i> )	<a href="http://transparencia.congresomich.gob.mx">transparencia.congresomich.gob.mx</a>
Oaxaca	<a href="http://www.congresoaxaca.gob.mx">www.congresoaxaca.gob.mx</a>
Veracruz	<a href="http://www.legisver.gob.mx">www.legisver.gob.mx</a>
States with Future SEZ	
Tabasco	<a href="http://periodicos.tabasco.gob.mx">periodicos.tabasco.gob.mx</a>
Yucatán	<a href="http://www.poderjudicialyucatan.gob.mx">www.poderjudicialyucatan.gob.mx</a>

For more information on the local laws, do not hesitate to contact [emilio@vtz.mx](mailto:emilio@vtz.mx)

State and Local Authorities have submitted eight “**Letters of Intent**”. As explained in our *SEZ Report*, State and Local authorities have to sign a **Letter of Intent**, indicating their intent to subscribe a “**Collaboration Agreement**”<sup>1</sup> as well as specifying the facilitation measures and incentives they will implement. The following authorities have submitted their Letter of Intent:

<sup>1</sup> The **Collaboration Agreement** is an agreement between the Federal Government and the State and local authorities where the SEZ and Area of Influence will be located. The agreement will set forth the duties of each level of government for the establishment and development of the SEZ and the Area of Influence.

**Table 2. Letters of Intent**

Local Authority	Date
<b>1. State of Guerrero</b> –Puerto Unión (55km from Lázaro Cárdenas)	October 21, 2016
<b>2. State of Michoacán</b> –Municipality Lázaro Cárdenas	November 3, 2016
<b>3. State of Chiapas</b> –Municipality Puerto Chiapas	November 7, 2016
<b>4. State of Oaxaca</b> –Municipality Salina Cruz	November 15, 2016
<b>5. State of Veracruz</b> –Municipality Coatzacoalcos –Municipality Nanchital –Municipality Ixhuatlán del Sureste	December 13, 2016
States with Future SEZ	
Local Authority	Date
<b>6. State of Yucatán</b> –Municipality of Puerto Progreso	October 16, 2016
<b>7. State of Campeche</b> –Municipality El Carmen –Municipality Champotón	November 23, 2016
<b>8. State of Tabasco</b> –Municipality Centla –Municipality Paraíso –Municipality Cárdenas	December 7, 2016

Needless to say, Federal, State, and local authorities are frequently holding meetings in order to review progress for the proper implementation of the Special Economic Zone.

### **3. FEDERAL AND LOCAL TAX AND BUSINESS INCENTIVES.**

On February 10, 2017, the Mexican Minister of Treasury – José Antonio Meade Kuribreña – attended a meeting of the National Confederation of Governors, held in *Lázaro Cardenas*, where he announced the tax incentives that the federal government will provide to those companies that invest within Mexico's Special Economic Zones.

As noted in our report, the *Federal Law on Special Economic Zones* does not provide the amounts of the tax incentives that the federal government will provide. Hence, this public announcement comes at a critical moment, since it was unknown the amounts of the benefits that would be provided. Needless to say, the future Decrees that will create each SEZ will provide the exact legal scope of the tax incentives.

It must be noted that Mexico's tax breaks appear to be **very aggressive**, which may be attributed to potential protectionist policies of Mexico's main trading partner, the United States of America.

#### **i. Income Tax**

In the first **ten years**, the companies that invest in Special Economic Zones will be subject to a 0% income tax. The following **five years**, said companies will benefit from a 50% discount from the applicable Income Tax.

## ii. Social Security Tax

In the first **ten years**, companies that invest in Special Economic Zones may benefit from tax credits, a 50% discount from the social security contributions. In the following **five years**, said companies may benefit a 25% discount from the social security contributions.

## iii. Taxes on Trade

The Minister of Treasury also announced that companies within the SEZ would benefit from a specific customs regime, such regime will include reduced “customs” fees, import duties exemption, “among other aspects”.<sup>2</sup>

## iv. VAT

For information regarding the VAT incentives, please download our [Report on SEZ](#).

## v. Financial Incentives

Investors will also enjoy from a special financing program implemented by a Development Bank, with competitive interest rates, extended installments, and flexible payment schemes.

## vi. State and Local Incentives

State and Local incentives will consist in the following: property tax, payroll tax, ownership transfers, real estate purchase, lodging tax, and public procurement.

---

<sup>2</sup> <http://www.gob.mx/zee/prensa/comunicado-no-11-la-shcp-anuncia-los-incentivos-que-aplicaran-en-las-zee>

**Vázquez Tercero & Zepeda** is recognized by international rankings, such as Chambers and Partners, Who's Who Legal, and Legal 500, as one of the most respected and influential firms in international trade and customs law practice in Mexico. **VTZ** is available to advise and assist companies that are interested in knowing more about Mexico's Special Economic Zones. For further information on how we can assist your company, please feel free to download our SEZ Report at <http://www.vtz.mx/information.php> or contact Mr. Emilio Arteaga Vázquez ([emilio@vtz.mx](mailto:emilio@vtz.mx)).



VTZ is a proud member of:

