

## Amendments to the Tariff of the Law on General Import and Export Taxes

On September 20, 2019, the “Decree that modifies the Tariff of the Law of General Import and Export Taxes (TIGIE), the Decree establishing the general import tax for the border region and the northern border strip (IGI RFFFN), the Decree establishing various Sector Promotion Programs (PROSEC), and the Decree for the Promotion of the Manufacturing, Maquiladora and Export Services Industry (IMMEX)” (“the Decree”) was published on the Official Gazette on its afternoon edition, entering into force on September 22, 2019.

The amendments provided for in “the **Decree**” mainly address two situations: *i)* the commitment to generate a monitoring system to trace steel and aluminium trade flows between Mexico and the US, originated as consequence of the elimination<sup>1</sup> of Steel and aluminium tariffs between both countries, and *ii)* terminate the semi-annual renewals of tariffs for steel products, using a *tariff reduction schedule*.

Recall that through another Decree<sup>2</sup> published on May 20, 2019, the retaliation measures imposed against the US on June 5, 2018 were eliminated. While on March 25, 2019 through another Decree<sup>3</sup> tariffs for steel product corresponding to 186 tariff codes were increased to 15% for 180 days (ie. September 22, 2019) to deal with the on the international market of steel caused by the reduction in the global demand growth and production overcapacity. However, these tariff increases lapsed as of January 31, 2019.

Therefore, through “the Decree” the semi-annual renewals of tariffs for steel products are terminated, establishing a tariff of 15% on 228 tariff codes corresponding to Chapters 72 "Iron and steel", 73 "Articles of Iron or Steel" (sheet and roll plate, hot and cold rolled sheet, wire rod, seamless and galvanized pipe, galvanized sheet, corrugated rod and

<sup>1</sup> This commitment is made within the framework of the Agreement between Mexico and US of May 17, 2019, through which Mexican steel and aluminum tariffs are eliminated under Section 232 and the retaliation measures imposed by Mexico.

<sup>2</sup> Decree that modifies the diverse one by which the Tariff of the Law of the General Import and Export Taxes is modified, the Decree by which it establishes the Applicable Rate during 2003, of the General Import Tax, for merchandise originating from North America and the Decree establishing various Sector Promotion Programs, published on June 5, 2018, this Decree was published in the Official Gazette on May 20, 2019.

<sup>3</sup> Decree that modifies the Tariff of the Law of General Import and Export Taxes and the Decree establishing various Sector Promotion Programs, published in the Official Gazette on March 25, 2019.

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profiles) and a couple of fractions of Chapter 76 "Aluminum and articles thereof". The 15% tariff established for the aforementioned products is subject to a tariff elimination schedule that will work as follows:

*Tariff Elimination Schedule*

<i>Number of Tariff Codes</i>	<i>Tariff</i>	<i>Date</i>
228	10%	September 22, 2021
225	5%	September 22, 2023
3	7%	
198	Exento	August 22, 2024
1	3%	

On the other hand, to comply with the commitment to track trade flows between the two countries, the following changes were made to the TIGIE:

- **Creation of 82 tariff codes:** Corresponding to Chapters 72 "Iron and Steel", 73 "Articles of Iron or Steel" and 76 "Aluminum and articles thereof", of which 70 are exempt, 10 have a tariff of 5% and 2 of 15%.
- **Modification of 22 tariff rates and tariff code descriptions:** Corresponding to Chapter 72 "Iron and Steel" with a 15% tariff.
- **Modification on the description of 3 tariff codes:** Corresponding to Chapters 72 "Iron and Steel" y 73 "Articles of Iron or Steel", which are exempt.
- **Suppression of 21 tariff codes:** Corresponding to Chapters 72 "Iron and Steel", 73 "Articles of Iron or Steel".
- **Addition of an Explanatory Note of National Application to Chapter 72.**

Finally, to make the **IMMEX**, **PROSEC Programs** and **IGI RFFFN** in line with the modification of the TIGIE, the Decree originates the following modifications:

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A. Decree establishing the general import tax for the border region and the northern border strip.

Twenty one tariff codes corresponding to Chapters 72 "Iron and steel", 73 "Articles of Iron or Steel" and 76 "Aluminum and articles thereof" will be exempted from import tariffs until December 31, 2019. The benefit will be only for people who have registered as a company from the border to the northern border strip and who import to the border region. In addition, 3 tariff codes subject to said tariff benefit are eliminated, corresponding to Chapters 72 "Iron and steel" and 73 "Articles of Iron or steel".

B. Decree establishing various Sector Promotion Programs (PROSEC)

The tariff codes and corresponding tariffs indicated in the Decree, are added to the following sectors.

**Sectors**

*I-Electrical, IIa-Electronics, IIb-Electronics, III-Furniture, IV-Toy, Recreational Games and Sporting Goods, VI-Mining and Metallurgical, VII-Capital Goods, VIII-Photographic, IX-Agricultural Machinery, XI- Chemistry, XII-Rubber and Plastic Manufactures, XIII-Steel, XVa-Transport, except the Automotive and Auto Parts Sector and XIX-Automotive and Auto Parts.*

In addition, it is established that the planned tariff for certain merchandise of the **XIX**-Automotive and Autoparts, **I**-Electrical and **IIb**-Electronics programs will be valid until August 21, 2024.

C. Decree for the Promotion of the Manufacturing, Maquiladora and Export Services Industry (IMMEX)

The following amendments are made to *Annex II-Goods that must meet specific requirements to be able to be temporarily import* (so-called **Sensitive Goods**), of the IMMEX Decree:

- **Sections B and D** (Chapters 72 and 73 "Steels" and Chapter 76 "Aluminum"): Certain tariff codes are added.
- **Section B** (Chapters 72 and 73 "Steels"): Certain descriptions of the tariff codes are modified and others are eliminated.

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Regardless of what has been mentioned above, we suggest that the Decree be reviewed in its entirety to identify other aspects that may be of interest in each particular case.

We are at your service for any further questions or clarification regarding this.

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