

Decree granting tax benefits

The “Decree granting tax benefits to the indicated taxpayers” (“**Decree**”) was published in the morning edition of the Official Federal Gazette today, entering into force on the same day and remaining in effect until December 31, 2020.

The benefits contemplated in the Decree are directed toward the permit holders¹ that are obligated to pay the fee for the shared profit² referred to in the Hydrocarbons Revenue Law (“**Permit Holders**”). The foregoing taking into account that the income from hydrocarbon sales has diminished considerably due to the fall in oil and gas prices in the international markets.

In general terms, the tax benefits granted consist of:

1. Tax incentive³ to the Permit Holders⁴ that are obligated to the payment of the fee for the shared profit⁵, consisting of a tax credit equivalent to the result of multiplying 28% to the difference resulting from subtracting from the value of the hydrocarbons extracted⁶ (during the fiscal year in question) the amount of the deductions established in the Hydrocarbons Revenue Law⁷.
2. Tax incentive⁸ to the Permit Holders that make monthly provisional payments, for the fee for the shared profit, consisting of a tax credit equivalent to the result of multiplying 28% to the difference resulting from subtracting from the value of the hydrocarbons extracted (in the period from the initiation of the fiscal year until the last day of the month the payment corresponds to) the amount of the deductions established in the referred Law⁹.

The aforementioned tax incentives may be credited, in the first case, against the fee for the shared profit which should be paid in March 2021 and, in the second case, against the provisional payment resulting in the period corresponding to the payment of the fee for the shared profit.

It is important to mention that the referred tax incentives will be applicable for the 2020 fiscal year and will not give rise to any refund nor constitute accruable income for tax purposes.

¹ Petroleos Mexicanos or any other state productive company that is the holder of an Assignment and operator of an Assignment Area in terms of the Hydrocarbons Law.

² Which is determined by applying a rate of 54% to the difference resulting from decreasing the value of the Hydrocarbons extracted (during the fiscal year in question), including the consumption by the permit holder of these products, as well as the waste from spills or burning of such products, the authorized deductions.

³ Respecting the limits and conditions established in the Decree.

⁴ In terms of the Hydrocarbons Revenue Law.

⁵ In terms of article 39 of the Hydrocarbons Revenue Law.

⁶ Including the consumption by the permit holder of these products, as well as the waste from spills or burning of such products.

⁷ Article 40.

⁸ Respecting the limits and conditions established in the Decree.

⁹ Sections I and II of article 42.

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