



# MAURICIO MONROY

Contadores

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# Free Economic Zone

A proposal of the  
Incoming Mexican  
Administration

# A Proposal of Incoming Administration

- In his campaign, President Elect Andres Manuel Lopez Obrador proposed to create a “Free Economic Zone” (ZEN), a region with special trade, tax and other benefits.
- Formal proposals have been filed with the new Congress in office as of last September 1. (Congress majority of same party as President Elect).
- Vote pending.

# Morena Legislative Agenda

September 5, 2018

- Implementation of a free-trade zone (zona franca) in the northern border of Mexico.
- Tax measures addressed to fight tax evasión in cross-border transactions:
  - Special supervision of comercial operations
  - Trend of transfer pricing
  - Quality of information

Ryan



# Proposals Presented in Congress

Through November 12, 2018

	Date	VAT	Income Tax	Party	Remarks
1.	6/IX/2018	8% 16% real estate		PAN	BC, BCS y QR and NW Sonora (including Puerto Peñasco).
1.	6/IX/2018	8%	20%	PT	
1.	13/IX/2018		20%	PES	Only northern border.
1.	18/IX/2018	8% 16% real estate		PAN	Adds Coahuila municipalities.
1.	19/IX/2018	8%		PAN (Senate)	
1.	20/IX/2018		24%	PRD	Nationwide. Certification needed. Productivity/salary increase.
1.	25/IX/18	8% 16% Real Estate		Morena	BC, BCS, QR and NW Sonora
1.	2/X/2018	8%		PRI	11% to 16% increase was unconstitutional
1.	23/X/18		20%	PRI	

# Why a Free Economic Zone

- Maximize synergy with US market to attract more consumers from both sides of the border.
- Create jobs in both traditional and high tech jobs.
- Attraction of global investment.



# Principal Points

- Preliminary boundaries of zone include US-Mexico border strip, Baja California and Baja California Sur and northwesternmost Sonora región.
- 8% VAT (originally 12%)
- 20% income tax.
- Duty-free zone.
- Two fold increase of minimum wage.
- Lower tax burden and higher wages result in more purchasing power

# Some Other Points of ZEN

- Investment in infrastructure.
- Regional development banking.
- Direct international outreach for specific programs.



# TBD

- Boundaries of ZEN.
- Voting in Congress.
- Effective date.
- Implementation guidelines.



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