

The Lower House approves the 2021 Revenue Law, going now to the Senate

- Today, the Lower House of Congress finalized the approval process of the 2021 Revenue Law, along other additional fiscal-related legislation
- The process was delayed relative to the deadline of October 20th established in the Fiscal Responsibility Law. Nevertheless, by freezing the ‘legislative clock’, the limit has been technically fulfilled
- Macroeconomic assumptions used to make up the Revenue Law were left unchanged relative to those presented in the *Economic Policy Criteria* document as part of the [2021 Budget](#)
- Within the Federal Rights Law (*Ley Federal de Derechos*, in Spanish), increases in payments proposed by the MoF for the use of the radio spectrum were adjusted lower. For example, the proposed increase for the 800Mhz band was originally set at 56.2%, but the approved figure was only 3.5%
- In addition, the proposal of a surcharge as part of the excise tax on fuels –which would have set a floor on the price in real terms– was discarded. Meanwhile, an increase in excise taxes on sugary drinks and alcoholic beverages, among other goods, was also ruled out
- Digital platforms will be forced to retain 100% of the VAT collected when they provide intermediation services to foreign companies. A flat tax rate was also established to digital services such as *Uber*, *Airbnb* and *Amazon*, among others, as opposed to the ranges proposed originally
- The proposal that would have removed VAT on women’s hygiene products was also not approved
- Additional measures were introduced to aid tax-collection efforts by Mexico’s Tax Administration Service (SAT by its acronym in Spanish), including the use of technological instruments to collect images and/or related files
- The provision that would have allowed the MoF to access resources from the Health for Welfare trust fund was eliminated–also known as the Catastrophic Spending Fund from the National Health and Welfare Institute (INSABI, in Spanish)–, currently holding about \$33 billion (US\$1.6 billion). Nevertheless, members of Morena’s legislative group mentioned they will work to modify the General Health Law to try to add back this amount, arguing that it will be used to purchase the COVID-19 vaccine once it is available
- With these adjustments, the total amount in the Revenue Law stands now at \$6,262.7 billion (US\$297.5 billion), below the \$6,295.7 billion (US\$299.0 billion) proposed by the MoF. We should recall that this amount also includes ‘revenue’ from additional debt, matching total spending
- With the end of this process, this legislation will be sent to the Senate for further discussion and voting, remembering that they have until October 31st to approve it

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Winners of the award for best economic forecasters for Mexico in 2019, granted by *Refinitiv*



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Main fiscal variables

Variable	% of GDP
Public balance ¹	-3.4
Budget revenues	22.0
Total revenues ²	25.1
Total expenditures ³	25.1
Public debt ⁴	53.7

Notes: 1. Measured with the Public Sector Borrowing Requirements (PSBR); 2. Takes into account revenue from additional debt; 3. Assumes spending is adjusted lower to match revenues; 4. Measured with the Historical Balance of the PSBR

Source: Lower House, MoF

Deadlines for the 2021 Budget

Date	Concept	
Sep-8	2021 Budget Proposal	✓
Oct-20	Lower House approval of the Revenue Law	✓
Oct-31	Senate approves the Revenue Law	
Nov-15	Lower House of the <i>Spending Budget</i>	

Source: CGPE 2021, MoF

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We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Tania Abdul Massih Jacobo, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega and Juan Barbier Arizmendi, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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