

Mexico Moves to Cut Back Tax Loopholes for Businesses

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MEXICO CITY, June 20 — Hoping to raise [Mexico](#)'s tax collection rate to offset future declines in oil revenue, President [Felipe Calderón](#) presented a tax package to Congress Wednesday that seeks to close many of the loopholes that businesses have used to avoid paying taxes.

Mexico collects less than 11 percent of its gross domestic product in taxes, well below the average of about 16 percent for South American countries and 25 percent for developed countries.

The finance minister, Agustín Carstens, estimated that the tax measures, to be phased in through Mr. Calderón's term, would raise collection by an additional 3 percentage points of G.D.P.

The government has made up for its tax shortfall by heavily taxing the state oil monopoly, Petróleos Mexicanos, which last year financed 40 percent of government spending. Starved for investment money, Pemex, as the company is known, now faces stagnant production and declining oil reserves.

Mr. Calderón, a member of the conservative National Action Party, won election last July by a tiny margin against a left-wing candidate after a bitter election that highlighted the country's stubborn poverty. Mr. Calderón is under pressure to address that poverty, but he is hamstrung by the lack of money.

The Mexican government, Wall Street and international financial organizations have long described changes in taxation, along with an overhaul of energy policy and the labor code, as crucial to the country's ability to expand economically.

Pamela K. Starr, an analyst for the Eurasia Group in Washington, wrote in a note that the tax package was "politically palatable" to a majority of legislators. But Congress is out of session until

September, and it is still unclear whether the parties will agree to call a special session to take up the measure.

Under the proposed measure, companies would have to pay the larger of two assessed tax rates: the current corporate income tax rate of 28 percent or a new flat tax of 19 percent assessed on sales after deducting costs for raw materials and investment.

That measure is likely to be publicly popular, but it is also likely to be opposed by some of the most powerful companies in Mexico, which quietly backed Mr. Calderón's campaign last year.

The proposal also appears to hurt small companies and those dependent on labor, like software design companies and tourism, rather than on capital, said Rogelio Ramírez de la O, an economist and consultant.

"These companies are being treated almost in the same league as the big guys," said Mr. Ramírez de la O, who served as the economic adviser last year to the left-wing candidate, [Andrés Manuel López Obrador](#).

The measures will also try to begin collecting taxes on workers in Mexico's vast underground economy, like street vendors, by taxing cash bank deposits over \$1,800 a month at a 2 percent rate.