

As COVID-19 Economic Downturn Hits hard, the Mexican Government Tightens its Grip on all Revenue, and Looks to Target Maquiladoras / IMMEX Companies

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While there is a growing understanding of the sanitary measures needed to restart manufacturing operations in a safe and efficient manner (i.e. social distancing, testing, masks & facemasks, others), the economic consequences of COVID-19 continue to affect the Mexican economy, along with the rest of the world's economies.

In an effort to address declining tax collections, the Mexican Government has taken a number of actions to increase revenue, including some changes that may be particularly troublesome for Maquiladoras, aka IMMEX companies.

IMMEX companies in Mexico (a category that includes a variety of manufacturing operations, particularly autopart producers) function under a governmental authorization that includes preferential conditions, both operational and fiscal. A more detailed description of the IMMEX program is found in [this Foley write up](#).

The highest degree of preferential treatment is granted to IMMEX companies that are VAT (Value Added Tax)-Certified, which allows these companies to avoid paying the otherwise applicable VAT upon the importation of goods used in their manufacturing operation (either raw materials or machinery and equipment), in addition to other more favorable conditions.

Such preferential settings will automatically be changing as early as each individual IMMEX company renews its VAT Certification. VAT Certifications need to be renewed every 1 to 3 years, generally depending on the number of workers and machinery and equipment investment involved.

The following is a summary of relevant changes recently enacted by the Mexican Government:

1. Cancellation of ability to obtain expedited 16% VAT refunds on their operational balance as per their Mexican routine operations (capacity to continue temporarily importing without

paying VAT remains, though).

2. Instead of having 36 months in which to use temporarily imported goods, companies will have to use most goods within 18 months (although longer periods apply to some products, such as containers, machinery and equipment).
3. Companies will no longer benefit from automatic enrollment in sectorial (steel, motor vehicles, textiles, others) import programs, rather they will have to be obtained separately from the VAT Certification.
4. Companies: (a) will lose their ability to submit pedimento amendments within three months of filing without first requesting authorization to do so, (b) will have to file weekly pedimento submissions (vs. monthly), and (c) will not be able to temporarily import products without declaring serial numbers.
5. Finally, in addition to covering adjustment and late charges of retroactive IMMEX renewal fees, which are to be spontaneously filed in rough amounts of \$1,200-\$1,400 USD per year going back up to 2015, if original enrollment dates back to such period; yearly renewal fees shall be mandatory from now on.

Aforementioned benefits are currently considered as routine in VAT Certified IMMEX companies; changes to these provisions may seriously affect their day-to-day operations going forward.

Given these changes, is continuing with a VAT Certified IMMEX company really worth your while? IMMEX companies should conduct a detailed review of their operations and the pros and cons of renewing their VAT Certifications in view of these impending changes.

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