# The 2027 Income Tax amendment: why it is unconstitutional and how to challenge it



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The 2027 amendment to Mexico's Income Tax Law was approved by the Chamber of Deputies on October 14 and by the Senate on October 27, 2026, with changes that sent it back to the originating chamber, where the Finance Committee expects to report on them on November 3. It is about to complete the legislative process and, as approved, would take effect on January 1, 2027. While it does not raise the tax rate, it changes the structure on which legal entities are taxed in Mexico, and therefore how much many companies will pay.

## What changes

The most significant measures target legal entities with revenue above MXN 50 million:

- **Cap on authorized deductions.** If deductions exceed 96.67% of taxable income, they may be deducted only up to that percentage; if they do not, only 99% of them is deductible. The excess, adjusted for inflation, may be carried forward over the following twenty fiscal years.
- **Limit on tax loss carryforwards.** Prior-year losses may only offset up to 50% of each year's taxable profit, although the carryforward period is extended from ten to twenty years.
- **Estimated payments.** The profit-ratio rules change, which in many cases will increase monthly payments.
- **Sector carve-outs.** The Senate proposed to exclude, subject to a vote in the Chamber of Deputies, vehicle assembly and manufacturing operations under bonded warehouse authorizations, and fuel retailers.

## Why we believe it is unconstitutional

**Tax proportionality (Article 31, section IV, of the Constitution).** Income tax must fall on the taxpayer's real profit. Expenses strictly necessary to generate income are structural deductions: not a legislative concession, but the very way income is measured. A fixed cap forces a company with a real margin below 3.33% to pay as if it had profits it does not have, and even to pay tax in a year with an economic loss.

**Tax equity.** The amendment treats taxpayers in the same position differently based on revenue size, and excludes specific sectors without an objective justification tied to their ability to pay.

**Tax losses.** Limiting their use to 50% of profit taxes, in a given year, income that has in fact already been offset by losses actually incurred. In practice, the taxpayer finances the treasury.

**Prohibition of arbitrariness and legitimate expectations.** The amendment abruptly changes the tax system for legal entities, with no adequate adaptation period and with transitional rules that do not cure the effect on losses already incurred. In doing so, it undermines the predictability of the legal order and the legitimate expectations of taxpayers who designed their investments, financing and operations under the rules in force, including tax losses generated under those rules. Congress is free to shape the tax system, but not to do so arbitrarily or by surprise.

**Legality and legal certainty.** The cases in which each percentage applies, and how excess deductions work, must be clearly set out in the law; any ambiguity left to administrative rules is itself a ground for challenge.

## What to know before litigating

This is not a simple case. The Supreme Court has upheld limits on certain deductions and has held that estimated payments are not final; injunctive relief in tax matters is also limited. Each case must therefore be built on the company's financial information: real margins, pending loss carryforwards and the concrete effect of the amendment on cash flow. A well-evidenced amparo is far stronger than a generic one.

## Defense options: amparo against laws

- **As a self-executing law:** within 30 business days after it takes effect, where the rule affects the company simply by falling within its scope.
- **Upon first application:** within 15 business days after the first act of application, such as the first estimated payment or the annual return.
- **Effects:** a judgment protects only the company that files. A general declaration of unconstitutionality is not available in tax matters, so companies that do not file will not benefit.

We recommend starting now with an assessment that quantifies the impact, defines the route and timing of the challenge, and prepares the evidence that will support the case.

*This note is for information only and does not constitute legal advice. It reflects the status of the legislative process as of October 31, 2026 and will be updated once the decree is published in the Official Gazette.*

## Let's talk

We can assess the impact on your company and the options available.


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