FEDERAL INCOME LAW FOR FISCAL YEAR 2019.

December 2018.

On December 28, 2018, the "Executive Order in which the Federal Income Law for Fiscal Year 2019 is issued" was published in the Official Gazette of the Federation.

I. INCOME

For the fiscal year 2019, it is estimated that the Federation will collect income in the amount of $5'838,059.7 million pesos. Such amount will be obtained from the following items:

a) "Taxes", $3'311,373.4 million pesos;

b) "Social Security Fees and Contributions", $343,133.4 million pesos;

c) "Improvement Contributions", $38.3 million pesos;

d) "Duties", $46,273.6 million pesos; and

e) "Proceeds", $6,778.1 million pesos, among others.

II. FEDERAL PUBLIC DEBT

The Federal Executive Branch is authorized, through the Ministry of Finance and Public Credit, to contract and exercise credits, loans and other forms to exercise the public credit, as well as for the financing of the Expenditure Budget of the Federation for the Fiscal Year 2019, in an amount of internal net debt of up to $490 billion pesos and an amount of external net debt of 5.400 billion US dollars.

In addition to the foregoing, the Federal Executive Branch and direct control entities may contract obligations constituting external public debt additional to those already authorized, as long as the internal net debt is less than that established in the above paragraph, in an amount equivalent to that of such additional obligations.

The Federal Executive Branch is also authorized, through the Ministry of Finance and Public Credit, to issue securities in Mexican currency and contract loans for exchange or refinancing of federal treasury obligations, upon the terms of the Federal Law of Public Debt (LGDP). Likewise, it is authorized to contract credits or to issue securities abroad for the purpose of exchanging or refinancing external debt. These transactions shall not imply net debt additional to that authorized for the fiscal year 2019.

III. PUBLIC DEBT FOR MEXICO CITY

Mexico City may obtain financing for the works included in the Mexico City Expense Budget for fiscal year 2019, for a net debt of 5.5 billion pesos; likewise, the contracting and exercising of credits, loans and other forms of public credit to carry out exchange or refinancing of the Mexico City public debt transactions is authorized.

IV. SURCHARGE RATE

For 2019, the surcharge rate for the extension in the payment of tax credits shall be 0.98% per month on outstanding balances.

When, pursuant to the Fiscal Code of the Federation, the payment in installments is authorized, the rate to be applied shall be as follows:

a) 1.26% per month, for payments in installments for up to 12 months;

b) 1.53% per month, with respect to payments in installments for more than 12 months and up to 24 months;

c) 1.82% per month, in payments in installments for more than 24 months, as well as deferred term payments.

V. GOVERNMENTAL CHARGES

The Federal Executive Branch, through the Ministry of Finance and Public Credit, is authorized to establish or modify the governmental charges which shall be made in fiscal year 2019, including for the use, enjoyment, utilization or exploitation of properties subject to the

Federal public domain regime or for the provision of services in the exercise of public law functions for which no duties are established or which are not paid for any legal cause.

To establish the amount of governmental charges, economic efficiency and financial reorganization criteria shall be taken into consideration and, as the case may be, the following must be observed:

a) With respect to those of international reference, the amount shall be fixed taking into consideration the collection made for the use, enjoyment, utilization or exploitation of properties or for the provision of services with similar characteristics, in countries with which Mexico has commercial links.

b) With respect to those without international reference, it shall be fixed taking into consideration the cost thereof, derived from an appraisal in terms of economic efficiency and financial reorganization.

c) When they are due to marketing or rationalization strategies and are granted in general, differential governmental charges may be also fixed.

For fiscal year 2019, through particular resolutions, the Ministry of Finance and Public Credit will approve the amounts of the governmental charges collected by the agencies of the Federal Public Administration, except when their determination and collection are established in other laws.

As long as the governmental charges for fiscal year 2019 are not authorized, those in force as of December 31, 2018 shall be applied, multiplied by the corresponding factor according to the month in which they were authorized or, in the event that a subsequent modification was made, from the last time they were modified during such fiscal year, pursuant to the following table:

MONTH	FACTOR
January	1.0470
February	1.0414
March	1.0375
April	1.0341
May	1.0376
June	1.0393
July	1.0353
August	1.0298
September	1.0289
October	1.0236
November	1.0182
December	1.0068

In the case of governmental charges which, during the next preceding fiscal year, were established as percentages, the percentages authorized by the Ministry of Finance and Public Credit in force as of December 31, 2018 will continue to be applied during 2019, as long as such Ministry fails to issue an answer with respect to the authorization request for 2019.

VI. PROCEEDS

The Federal Executive Branch is authorized to establish or modify, through specific resolutions, the proceeds intended to be collected by agencies during fiscal year 2019, even if the collection thereof is contemplated by other laws.

The proceeds which are not subject to the approval of the Ministry of Finance and Public Credit cannot be collected by the corresponding agency as from March 1, 2019.

As long as the proceeds for fiscal year 2019 are not authorized, those in force as of December 31, 2018 shall be applied, multiplied by the corresponding factor according to the month in which they were authorized, pursuant to the following table:

MONTH	FACTOR
January	1.0470
February	1.0414
March	1.0375
April	1.0341
May	1.0376
June	1.0393
July	1.0353
August	1.0298
September	1.0289
October	1.0236
November	1.0182
December	1.0068

VII. REDUCTION OF FINES

For fiscal year 2019, the 50% and 40% reduction of the corresponding fines for breaches derived from the noncompliance with federal tax obligations different from the payment obligations is maintained.

VIII. INTEREST WITHHOLDING RATE

For fiscal year 2019, for purposes of the provisions of Articles 54 and 135 of the LISR, the annual withholding rate will be 1.04 percent.

The methodology used to calculate such rate includes the information corresponding to the average returns of public and private instruments, weighed by the outstanding amount of each instrument, as well as the average of the observed inter-annual inflation, corresponding to the period from February to July 2018.

The weight per outstanding amount allows giving higher weight to instruments in which the population invests the most, resulting in a withholding rate equal and in accordance with the distribution of the savers by type of instrument.

IX. AUTO-REGULARIZATION IN "MONEY LAUNDERING" OBLIGATIONS

Any individuals who are not current in the obligations contemplated by the Federal Law for the Prevention and Identification of Transactions with Illegal Funds, corresponding to the period from July 1, 2013 to December 31, 2018, may implement auto-regularization programs, eliminating penalties and obtaining the release from fines, as long as it is previously authorized by the Tax Administration Service.

X. OFFSETTING FAVORABLE AMOUNTS

In substitution of the provisions of Articles 23, first paragraph of the Fiscal Code of the Federation and 6, first and second paragraphs of the Value Added Tax Law, concerning favorable amount offsetting, the following shall be applied:

a) Taxpayers required to pay by return may only choose to offset the amounts in their favor against those they are required to pay as their own debt, as long as both are derived from the same tax, including its accessories. Therefore, the amounts must be updated pursuant to the provisions of Article 17-A of the Fiscal Code of the Federation. Any taxpayers who submit the offsetting notice must attach the documents established by the Tax Administration Service through general rules. The terms for the submission of the abovementioned notice shall also be established in such rules.

The provisions of this section shall not be applicable in the case of taxes accrued due to import or those with a specific purpose.

b) In the case of value added tax, when there is a favorable balance in the payment return, the taxpayer can only credit it against the corresponding tax in his charge on the following months, until it is extinguished, or request the refund thereof. When the refund is requested, it must be on the total favorable balance. The balances which refund is requested cannot be credited in subsequent returns.

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Please do not hesitate to contact us if you have any questions or need any clarification in connection with this document.

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