Tax year-end 2026: decisions to make before the 2027 caps take effect



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The 2027 amendment to the Income Tax Law, approved by both chambers in October but returned by the Senate to the Chamber of Deputies with changes and not yet published in the Official Gazette, would impose on legal entities with revenue above MXN 50 million a cap on authorized deductions (if deductions do not exceed 96.67% of taxable income, only 99% of them would be deductible; if they do, the cap would be 96.67%), limit the use of tax losses to 50% of each year's taxable profit, extend the carryforward period to twenty years and change how estimated payments are calculated. If it takes effect as approved, fiscal year 2026 is the last opportunity to apply deductions and losses without those limits.

Pending tax losses

Prior-year losses can be applied in 2026 against the full taxable profit, without the 50% limit. It is worth confirming that they are properly adjusted for inflation, supported and within their ten-year term, and projecting how much of them can be used this year.

Timing of deductions

Expenses and investments the company would make anyway in early 2027 may have a different effect if made and deducted in 2026. This only works if the transaction is real and has a business purpose: the goods must be delivered or the service rendered, payment actually made and the tax invoice issued within the year. Accelerating transactions without substance is a greater risk than the saving sought, given Article 5-A of the Federal Tax Code and substance reviews.

Cash flow in 2027

The change in how estimated payments are calculated may increase monthly payments from February 2027. It is essential to build that effect into the budget and, where appropriate, consider requesting a reduction of estimated payments from the second half of the year (Art. 14 of the Income Tax Law).

Defense and transfer pricing

Companies that decide to challenge the amendment must choose their route soon, because an amparo against the law as self-executing must be filed within 30 business days after it takes effect. In addition, the deduction cap may alter margins on related-party transactions, so transfer pricing policies should be reviewed.

Before December 31

- Project 2026 taxable profit and the use of pending tax losses.
- Identify 2027 expenses and investments that can validly be made in 2026, with their supporting documents.
- Estimate the effect of the new estimated payments on 2027 cash flow.
- Decide whether and how to challenge the amendment.
- Review transfer pricing policies in light of the new cap.

This analysis is based on the text approved by the Senate on October 27, 2026, which excludes vehicle assemblers with bonded warehouses and fuel retailers from the cap, and will need to be adjusted to the decree published in the Official Gazette.

This note is for information only and does not constitute legal advice.

Let's talk

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

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