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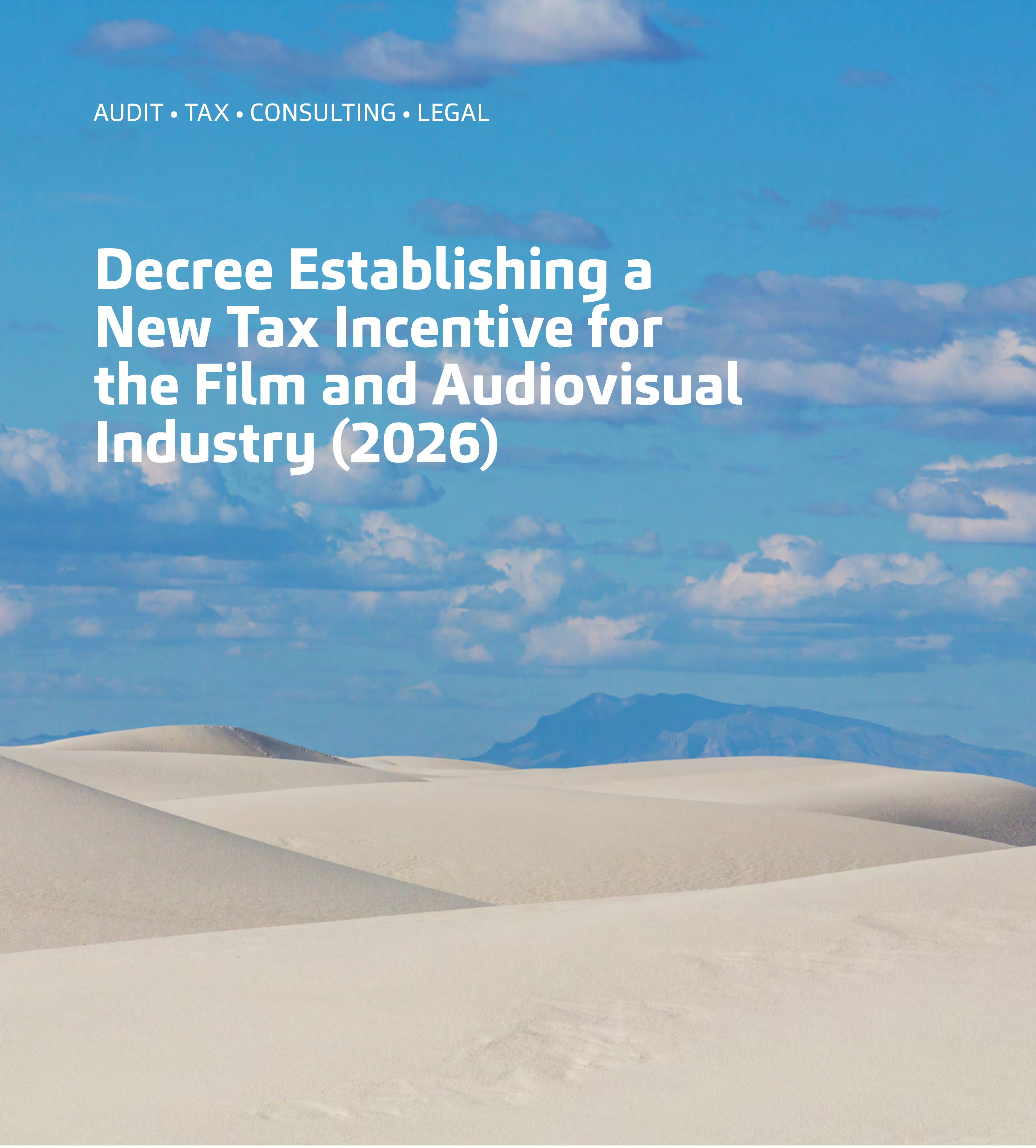
Decree Establishing a New Tax Incentive for the Film and Audiovisual Industry (2026)



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On February 16, 2026, the Decree granting a tax incentive for film and audiovisual production in Mexico (the “Decree”) was published in the Official Gazette of the Federation.

This instrument forms part of the federal strategy to strengthen the national creative industry and position Mexico as a competitive destination compared to other countries that offer tax incentives to attract international productions.

The Decree entered into force on February 17, 2026, and provides for the creation of a Technical Committee that will issue the operational guidelines within 30 business days following its publication.

What does the incentive consist of?

The benefit is a tax credit applicable to Income Tax (ISR) of up to 30% of expenses incurred in Mexico for eligible projects.

The maximum amount per project and per beneficiary is MXN 40 million, and the total annual authorized amount may not exceed MXN 400 million until September 30, 2030.

It is important to clarify that:

- It does not constitute a cash subsidy.
- It does not generate a refund or tax balance in favor.
- It may only be credited against Income Tax incurred.

Who may access the incentive?

The incentive may be requested by:

- Individuals and legal entities resident in Mexico.
- Foreign residents with a permanent establishment in Mexico.
- Foreign residents without a permanent establishment, provided that the production is carried out through a production company resident in Mexico.

Eligibility will depend on the project’s specific structure and compliance with established formal and tax requirements.

Eligible projects[1] and minimum amounts[2]

The Decree establishes minimum investment thresholds in Mexico:

- Narrative or animated feature films and episodes of series: MXN 40 million.
- Documentary feature films or documentary series: MXN 20 million.
- Specific animation, visual effects (VFX), or post-production processes: MXN 5 million per process.

These thresholds aim to ensure the incentive is directed toward projects with a material economic impact.

How may the credit be used?

The tax credit may:

1. Be applied directly against the beneficiary's Income Tax.
2. Be transferred for consideration, totally or partially.

The Decree contemplates two main transfer scenarios:

Transfer to national suppliers

The credit may be assigned directly to suppliers linked to the production, provided that the goods or services correspond to eligible expenses. In this case, indirect expenses may not exceed 30% of the credit amount.

Transfer to other Income Tax taxpayer

It may also be transferred to Income Tax taxpayers that are not part of the direct production supply chain, subject to the following limitations:

- The transfer cannot exceed 70% of the total amount of the tax credit.
- The transfer price may not exceed 85% of the nominal amount of the credit.
- The credit received may not exceed 15% of the recipient taxpayer's taxable income for the immediately preceding fiscal year.

Any amount received in consideration for the transfer will be treated as taxable income for the transferor.

The credit may not be transferred to related parties nor be subject to further transfers, even in cases of corporate restructuring.

Key requirements

To qualify for the incentive, applicants must meet the following requirements:

- Effectively incur eligible expenses within Mexican territory.
- Ensure that such expenses are supported by valid Mexican electronic tax invoices (CFDIs).
- Demonstrate that at least 70% of the project's procurement corresponds to suppliers with tax residence in Mexico.
- Obtain a positive tax compliance opinion issued by the Mexican tax authorities.
- Not subject to any of the non-compliance or risk scenarios outlined in the Federal Tax Code (including, for example, non-existent transactions, final enforceable tax liabilities that are not secured, or the restriction or cancellation of digital tax certificates).

The incentive requires prior authorization through a formal application to the Technical Committee, accompanied by documentation demonstrating the project's structure and budget.

Relevant restrictions

The incentive may not be applied jointly to the one provided in Article 189 of the Income Tax Law.

Likewise, failure to comply with the requirements or the occurrence of tax risk situations could result in the loss of the benefit and the obligation to pay the corresponding tax, together with related charges.

Final considerations

The Decree presents a valuable opportunity for production companies, studios, streaming platforms, and investors evaluating project development in Mexico.

However, its effective application will depend on a specific analysis of each project, appropriate tax structuring, and full compliance with technical and documentary requirements.

Given the nature of the incentive — a transferable tax credit subject to specific limitations — it is essential to evaluate, on a case-by-case basis, its feasibility and financial impact.

At Baker Tilly Mexico, we are monitoring the issuance of the guidelines and remain available to analyze specific projects within the applicable regulatory framework.

Contact us

Adrián Bueno
Legal Lead Partner
abueno@bakertilly.mx

Sofía Cardona
Legal Manager
scardona@bakertilly.mx

Belén Mendoza
Tax Partner
bmendoza@bakertilly.mx

Jaime Villegas
Legal Senior
jvillegas@bakertilly.mx

Corporate Office

Insurgentes Sur No. 1787 piso 4,
Col. Guadalupe Inn, C.P. 01020
Alcaldía Álvaro Obregón,
CDMX, Mexico.

T. (+52) 55 5801 3046
E. info@bakertilly.mx

www.bakertilly.mx

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