

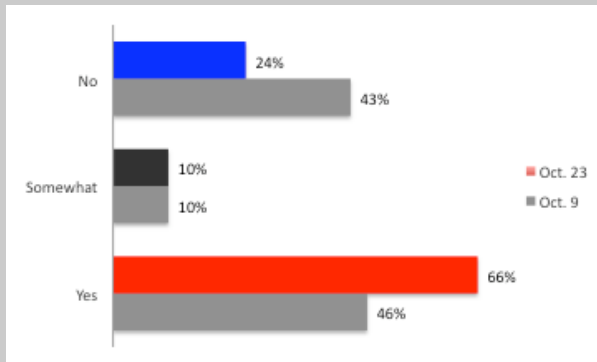
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Polls

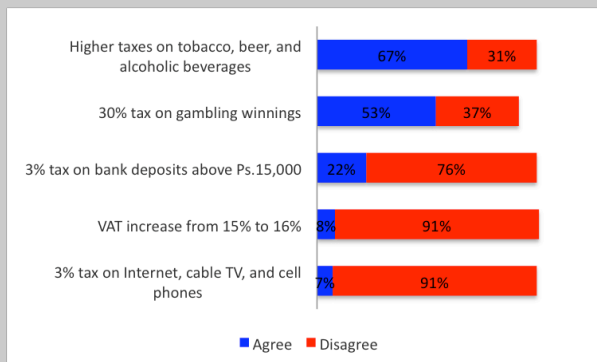
Little popular support for higher taxes

A BGC/Excelsior national telephone poll found increasing public opposition for the tax package as it moved through the Chamber of Deputies. In the past two weeks, there was a 20% increase in those saying they were angered or bothered by the proposed taxes. Both the PAN (61%) and the PRI (57%) are seen as responsible for the tax package, while only 25% view the PRD as responsible. The taxes that faced the highest opposition were the tax on Internet service and the VAT increase, while most supported the higher taxes on tobacco and alcohol and on gambling. ([Excelsior 10/26](#))

Are you angry with the recently approved taxes?



Do you approve of ...



Key Dates

11/15: Deadline for budget approval

by 12/31: Terms end for President of Banco de México, CNDH, and two Supreme Court ministers

Revenue bills pass Chamber

After stopping the clock at midnight of the statutory deadline, the Chamber of Deputies passed the five revenue bills. The key vote was 415 to 24, with all parties voting in favor except the PT and Convergencia. The Chamber rejected the government's proposed 2% anti-poverty sales tax and instead raised the value added tax rate by 1% to 16%, leaving food and medicine exempt. The Chamber approved the government's other tax proposals: a temporary increase in the income tax rate to 30%, a 3% tax on Internet and other telecoms services; a 1.5% increase in excise taxes on tobacco and alcohol; a 1% hike in the tax on large cash deposits in banks; and an increase in tax on gambling earnings. The Chamber's bills increase the target deficit by 0.2% to 0.7% of GDP. Finance Secretary **Agustín Carstens** estimated the package would raise Ps. 136 billion in tax revenues. He called it "a good package" and added, "given the circumstances, it is the best agreement possible." ([Reforma 10/22](#)).

Tax package faces uncertain fate in Senate

Despite the overwhelming vote in favor, all the parties immediately started attacking the tax package that was passed, and pledged to change it in the Senate. A firestorm started when PAN party leader **César Nava** said that the PAN voted for the package "because the PRI did not leave us any other alternative. Faced with their opposition, their closed-mindedness, and their rejection of the President's proposal ... we had to fall back on this alternative." The PRI issued a statement condemning Nava's attempt "to provoke a lynch-mob environment," and threatened to reject the entire package in the Senate. The PRI leadership met Sunday night to define their position toward the tax package, but adjourned without a consensus. The Senate deadline for voting the revenue measures is Friday. ([Universal 10/23](#), [Reforma 10/26](#))

Business groups attack retroactivity

Business groups and large corporations focused their opposition on the new tax consolidation rules, which allow large groups to offset taxable income in one legal entity with taxable losses in another. The bill passed by the Chamber—adopting the government's proposal—will shorten the time limits for realizing the offsets and paying any deferred taxes, in what many interpret as a retroactive change in tax law. The Ministry of Finance estimated that the measures would raise Ps. 16 billion in revenue in 2010. Both the PRI and the PAN in the Senate have pledged to review the measure, and are negotiating with the Ministry of Finance. ([Excelsior 10/26](#))

Storm over telecoms provisions

In a novelty for Mexico, opponents of the tax on Internet services staged a campaign to flood Twitter with tweets opposing the measure, using the tag #internetnecesario. The group got a boost from Senate president **Carlos Navarrete** (PRD), who endorsed the campaign. ([Universal 10/25](#))

Another provision defers royalty payments by new cell phone operators for two years on new radio frequency spectrum to be auctioned for 3G networks. **Purificación Carpinteyro**, the former Undersecretary of Communications, called it, "a privilege inserted to address exclusively the interests of **Televisa**." Long-term PAN critic of telecoms policy **Javier Corral** called it "a huge fiscal benefit for the wealthy telecoms owners," that was negotiated between the Ministry of Finance and PRI Senate leader **Manlio Fabio Beltrones** to get PRI support for the Internet tax. ([Reforma 10/26](#))

More than one-quarter of Luz y Fuerza workers accept buyout

As of October 23, almost 12,000 workers at the Luz y Fuerza utility being liquidated by the government have accepted the buyout offer, according to the Ministry of Finance. ([Excelsior 10/23](#))