



# Mexico to Cut Taxes For Companies Holding IPOs By 10% - Here Is What You Need To Know

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The Mexican government will reduce the tax rate for companies that hold an IPO in the country by 10%. This is part of a broad-ranging plan designed to spur growth in the financial market.

The plan was announced by Mexican finance minister alongside newly elected President Manuel Obrador and Governor of the Mexican Central Bank. The measure is also expected to boost the issuance of corporate bonds, strengthen personal saving schemes and pension funds, as well as stimulate inter-bank lending.

Players in the Mexican capital markets have always argued that tax incentives could help stimulate

growth in the local financial industry. Most of these players have in fact lobbied for this type of measure over the last decade and it seems finally their prayers have been answered. As soon as the plan was announced, the MEXBOL, Mexico's benchmark index, was up 1.7%. In what has already been a torrid period for the market over the last few months, such a jump could be a positive sign overall.

The corporate tax in Mexico at the

◀ moment stands at 35%. Many experts feel that reducing that by 10% could be a huge incentive for companies to finance themselves through the stock market. This in turn could have positive ripple effects on the economy as a whole. Some analysts are also seeing this as the clearest sign yet of the positive relationship between Mexican leftist president Manuel Obrador and the financial services industry. This comes after a rough start during the president's transition period.

The finance ministry did also note that it is working to broaden areas in which pension funds can invest. The ministry is looking at the possibility of creating modalities that give pension funds a chance to diversify their portfolios by investing in more "productive" infrastructure projects. Authorities in the finance ministry also said that the government will start giving foreigners a credit for buying Mexican Corporate peso debt.

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### **What Does This All Mean?**

The measure by the Mexican government has drawn praise from stakeholders in the local financial services sector for one major reason. It simply gets rid of unnecessary costs to investors and local companies that wish to raise money through the stock market. It's still not clear though how the plan affects large institutional investors. But it's a clear sign that the government is willing to take necessary steps to stimulate growth. The Mexican stock market has had a tough period in recent months. There have been a number

of concerns over how the new leftist government will manage the economy as well as trade challenges especially with the US. Global economic growth has also slowed affecting a number of markets around the world. Despite this, it seems like the new administration led by President Manuel Obrador is ready to reason out with key stakeholders in the financial industry in order to find practical solutions that can be used to enhance future growth.

### **Investing in Mexico**

The Mexican stock market can be ideal for value investors looking for a bargain. Investing in the stock market there is also fairly easy. The Mexico Fund, a closed end fund in the NYSE, offers foreign investors a chance to buy Mexican stocks through a managed portfolio. You can buy in anytime under the ticker symbol MXF.