

## Mexican president decrees tax cuts for U.S. border region

Reuters, December 31, 2018

MEXICO CITY (Reuters) - Mexico's new leftist President Andres Manuel Lopez Obrador on Monday decreed tax cuts for northern states that he says will help power economic growth and deter migration to the United States.



FILE PHOTO: Mexico's President Andres Manuel Lopez Obrador gestures during a news conference at National Palace in Mexico City, Mexico December 26, 2018. REUTERS/Daniel Becerril

An executive order in the government's official gazette granted lower rates for both value-added and income taxes in more than 40 municipalities bordering the United States, an area that has become a flashpoint over U.S. President Donald Trump's policies to deter immigrants, including building a wall.

Lopez Obrador's tax cuts could reduce government tax income during 2019, when he will implement a budget that seeks to use spending cuts to help fund new social welfare and infrastructure projects.

At an event in Monterrey in the northern state of Nuevo Leon on Saturday, Lopez Obrador said the minimum wage in the northern strip of municipalities would rise to 177 pesos (\$9.00), nearly double the national level, starting Jan. 1, and that fuel prices would be set on a par with U.S. prices.

“This is a very important project to boost investment and job creation,” Lopez Obrador told business leaders.

The decree seeks to give an edge to northern Mexican businesses, which compete with U.S.-based companies across the border.

Lopez Obrador has vowed to increase economic development to deter migration to the United States. Trump wants to make Mexico take in Central Americans who are seeking U.S. asylum.

The plan will give businesses in the region a tax credits worth 50 percent of VAT dues. Companies that can show they earn more than 90 percent of their revenue in the area are eligible for an income tax credit worth one-third of dues.

Last month, Citigroup economists estimated lower tax revenue from the north could cost the government around 120 billion pesos (\$6.10 billion) a year.

A national chamber of business owners, Coparmex, welcomed the decree in a statement as a “judicious” measure that could spur investment in the region.

Migrants met with tear gas on U.S.-Mexico border

The center-right National Action Party, the biggest opposition to Lopez Obrador’s leftist coalition in Congress, said the decree was a “scam” since it fell short of a campaign promise to cut tax rates for consumers.

PAN leader Marko Cortes said in a statement the VAT tax cuts would only benefit “intermediaries,” and that it would fail to boost investment since it was a presidential decree that could be removed at any moment.

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