

Taxing Energy Use 2018

Mexico

This note describes the taxation of energy use in Mexico. It contains the country's energy tax profiles, followed by country-specific information to complement the general discussion in *Taxing Energy Use 2018* (OECD, 2018). The note contains four energy tax profiles for Mexico:

Figure 1: Effective tax rates on energy use in national currency and EUR/GJ, 2015, including electricity output taxes and energy use from biomass

Figure 2: Effective tax rates on energy use in national currency and EUR/tCO₂, 2015, including electricity output taxes and energy use from biomass

Figure 3: Effective tax rates on energy use in national currency and EUR/tCO₂, 2015, excluding taxes on electricity output, including carbon emissions from biomass

Figure 4: Effective tax rates on energy in national currency and EUR/tCO₂, 2015, excluding taxes on electricity output and carbon emissions from biomass

The main insights from the second vintage of the *Taxing Energy Use* database, including a systematic comparison of patterns of the taxation of energy use across countries, sectors and fuels are available in *Taxing Energy Use 2018* (OECD, 2018) at: <http://oe.cd/TEU2018>.

1. Energy tax profiles for Mexico

Figure 1. Effective tax rates on energy use in national currency and EUR/GJ, 2015, including electricity output taxes and energy use from biomass

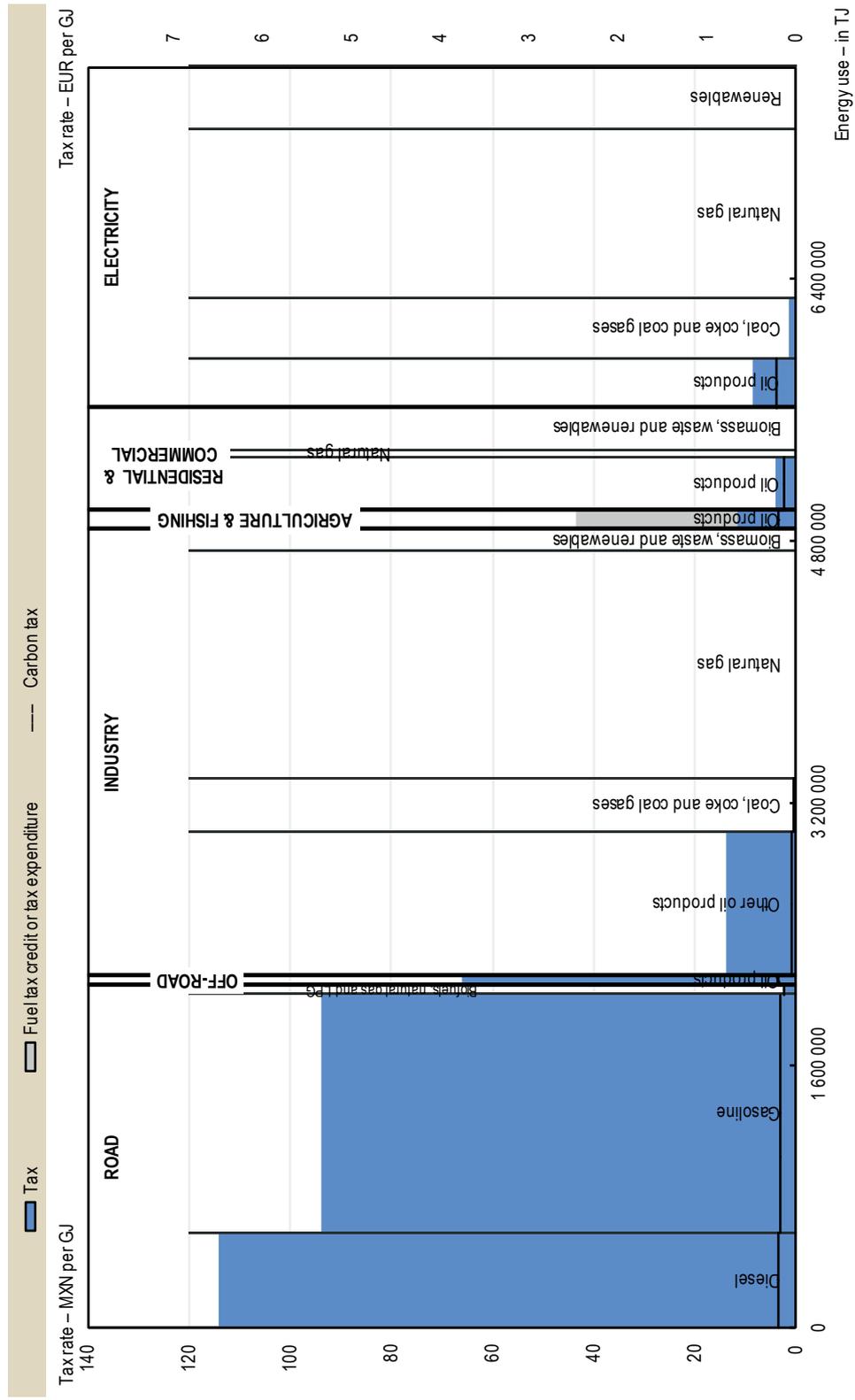


Figure 2. Effective tax rates on energy use in national currency and EUR/tCO₂, 2015, including electricity output taxes and carbon emissions from biomass

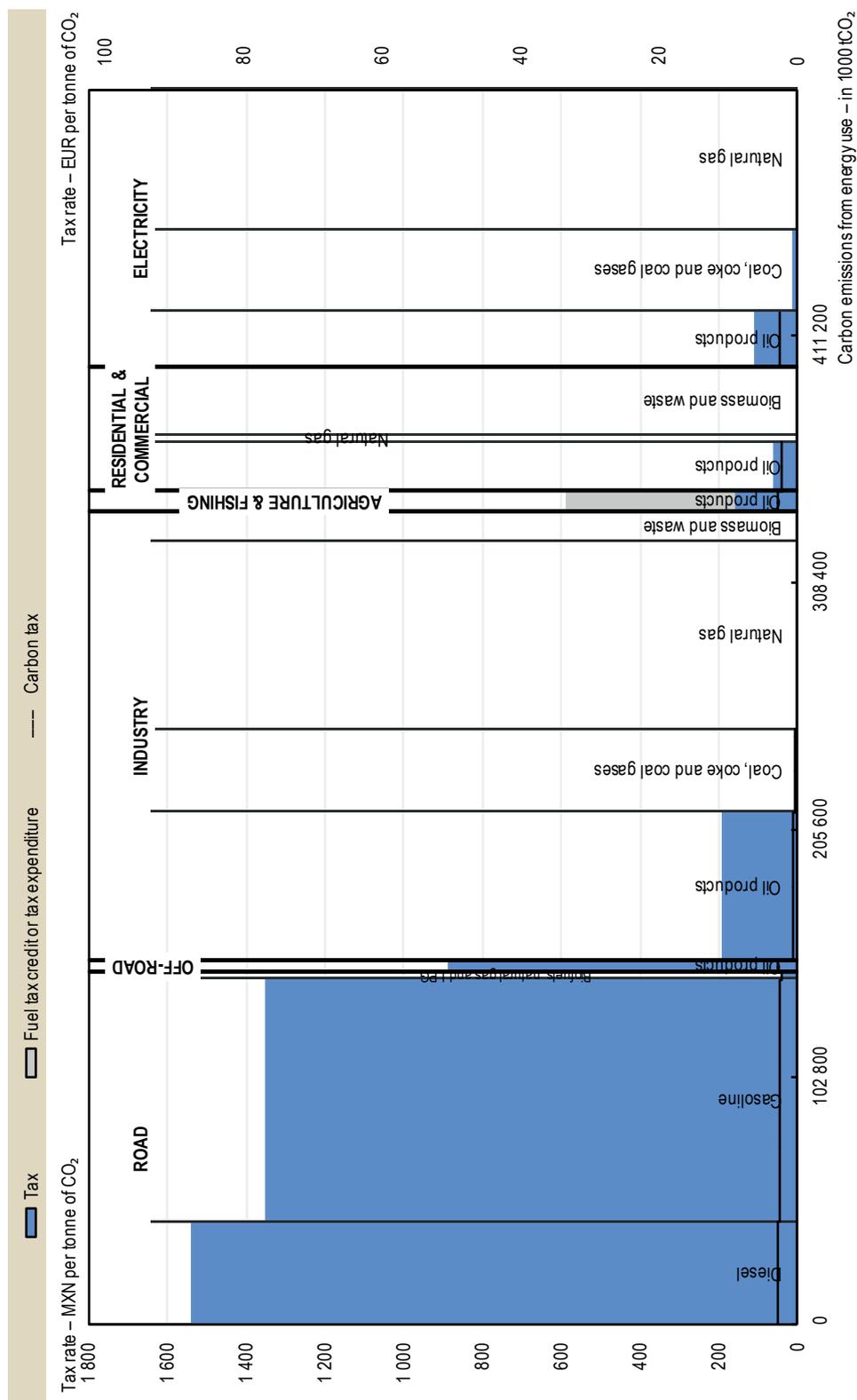


Figure 3. Effective tax rates on energy use in national currency and EUR/tCO₂, 2015, excluding taxes on electricity output, including carbon emissions from biomass

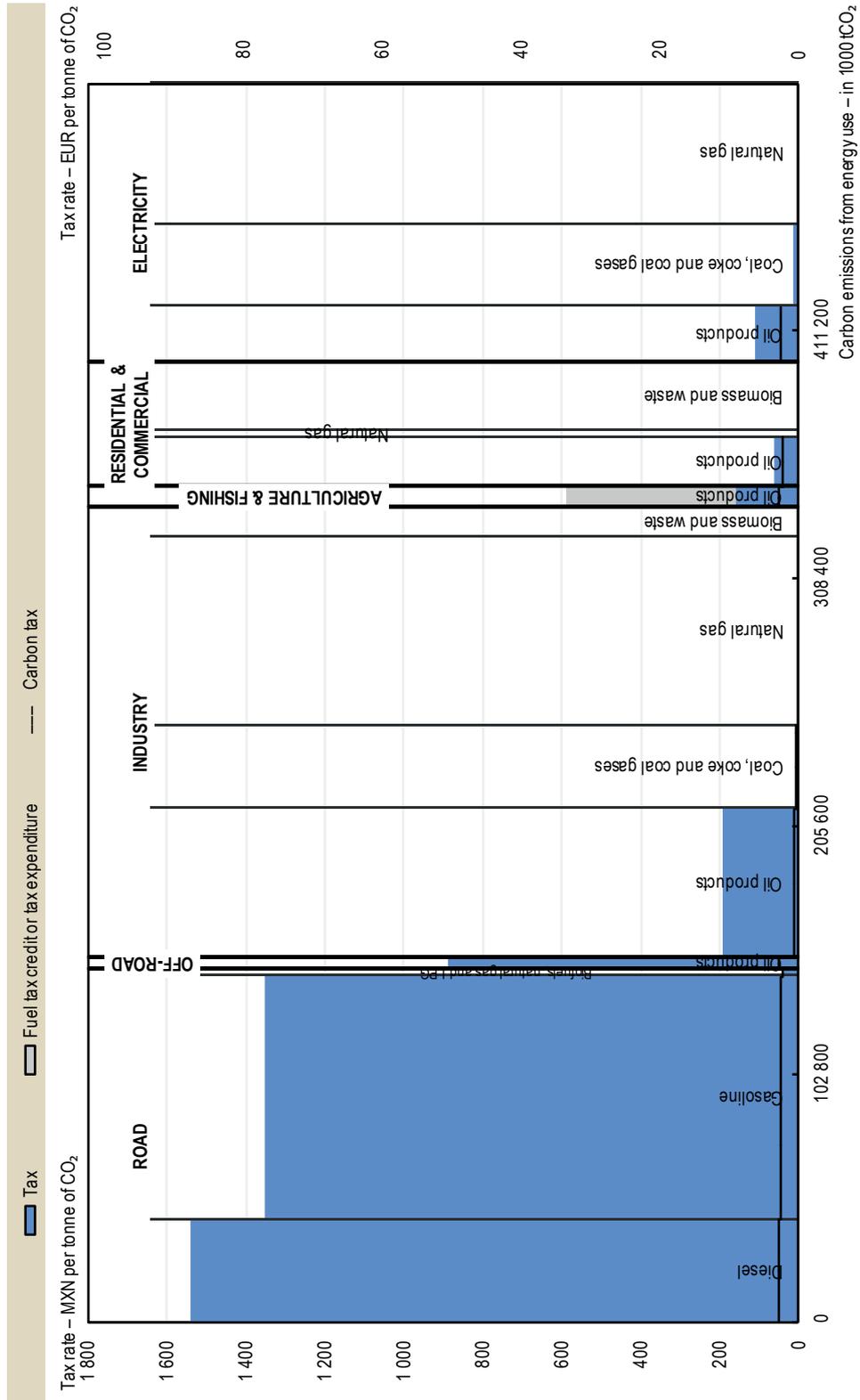
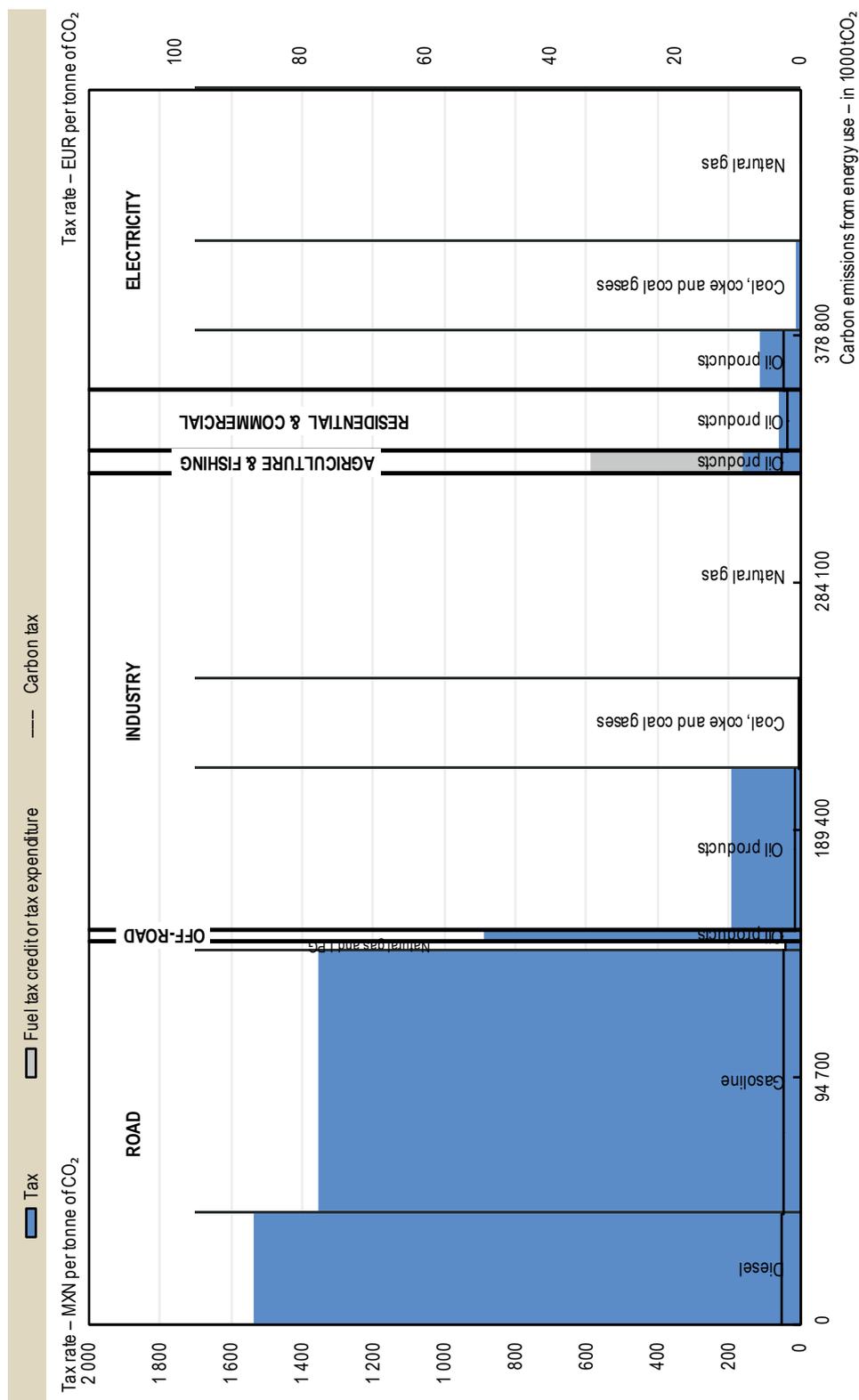


Figure 4. Effective tax rates on energy use in national currency and EUR/tCO₂, 2015, excluding taxes on electricity output and carbon emissions from biomass



2. Country-specific notes

This note describes the taxation of energy use in Mexico. It contains the country's energy tax profiles, accompanied by country-specific information to complement the general discussion in *Taxing Energy Use 2018* (OECD, 2018). Tax rates are those applicable in April 2015, energy use data are for 2014.

The data shown in the energy tax profiles is from the OECD's *Taxing Energy Use* (TEU) Database. More detail on the TEU Database, the calculation of effective tax rates on energy use and the interpretation of the energy tax profiles can be found in *Taxing Energy Use 2018* (OECD, 2018).

Energy and carbon taxes

The main taxes on energy use in Mexico are the following:

- An excise tax applies to gasoline and diesel used as transport fuels. In April 2015, the excise tax on road transport fuels was the sum of two components:
 - A variable component applies to fuels used in **road** transport; this component was updated each month in line with fluctuations in international oil prices. The rate included in the energy tax profiles is the average of the 2015 calendar year.
 - A fixed component of much smaller magnitude, the revenues of which are earmarked to the Mexican states and municipalities. The fixed component applies to fuels used in **road** and **off-road** transport, and to **agriculture**.

The tax rates in this vintage of the database refer to tax rates as of April 2015. Since then, Mexico set the variable component of its excise tax on transport fuels at a significantly higher level than what is included in the database. More detail on these reforms can be found in Arlinghaus and Van Dender (2017).

- A CO₂ tax applies to oil products, coal, coke and coal products across all sectors, including when used to generate electricity. Natural gas is zero-rated under the CO₂ tax.

The rates at which these taxes apply can further differ across fuels and different users, as described below.

These taxes are included in the energy tax profiles of Mexico. Where more than one tax rate applies to an energy user or fuel, the energy tax profile shows their sum.

Effective tax rates on energy use for different fuels and users

The tax rates on different fuels and uses are linked to Mexico's energy use¹ to calculate effective tax rates on energy use (in MXN/TJ and EUR/TJ) or CO₂ emissions from energy use (in MXN/tCO₂ and EUR/tCO₂). Energy use and the CO₂ emissions associated with it are shown for six economic sectors: road transport, domestic offroad transport, industry, agriculture and fishing, residential and commercial, and electricity.

The Mexican energy tax profiles (Figures 1 and 2) show effective tax rates for different fuels and uses in terms of the fuels' energy and carbon content, respectively. Figures 1 and 2 include energy use and carbon emissions from biomass and they show output taxes

1. Data on energy use is taken from the IEA's *Extended World Energy Balances*, see Chapter 1 of *Taxing Energy Use 2018* (OECD, 2018) for additional detail.

on electricity. Figure 3 is identical to Figure 2, except that taxes on electricity output are excluded. Figure 4 excludes carbon emissions from biomass and taxes on electricity output.

- Fuels used in the **road** sector are subject to both the carbon tax and the excise tax on transport fuels. As a result, road transport fuels are taxed at the highest rates of the six economic sectors, both in terms of the fuels' energy and carbon content. Within the road sector, diesel is taxed at the highest effective tax rate, gasoline is taxed at a lower rate in terms of TJ and in terms of CO₂. Natural gas and LPG are also taxed, but at substantially lower rates than gasoline and diesel.
- Fuels used in **offroad transport** are taxed under the excise tax and the carbon tax. However, since only gasoline and diesel are taxed under the excise tax on transport fuels, while fuel use is more diverse in off-road transport and includes non-taxed fuels, the effective tax rate is lower than in the road sector.
- The CO₂ tax applies to oil and coal products when they are used in the **industry**, the **residential and commercial sector** and in **electricity**, but effective rates are much lower than in transport. A tax refund is available for fuels used in agriculture (see below). Natural gas, which accounts for a third of carbon emissions from energy use in 2014, is zero-rated untaxed under the CO₂ tax.
- In Mexico, fossil fuels used to generate **electricity** are subject to the CO₂ tax, but these fuels account for a minor portion of the electricity generation mix. **Electricity output** is not taxed.

Reported tax expenditures and rebates

The following tax expenditure is included in the *Taxing Energy Use* data for Mexico:

- A tax credit equal to the variable portion of the excise tax on transport fuels is available for diesel when used in domestic marine transport, agriculture and when used as a process fuel in industry.

Reported tax expenditures or rebates might be averaged with tax rates on other energy uses, in which cases they are not visibly identifiable in the graphical profile. Additional detail on the treatment of tax expenditures is available in Chapter 1 of *Taxing Energy Use 2018*.

Sources

The main insights from the second vintage of the *Taxing Energy Use* database are analysed in:

OECD (2018), *Taxing Energy Use 2018 – Companion to the Taxing Energy Use Database*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264289635-en>.

Apart from the sources included in *Taxing Energy Use 2018*, and consultation with national delegates, the following country-specific source was used:

Arlinghaus, J. and K. Van Dender (2017), “The environmental tax and subsidy reform in Mexico”, *OECD Taxation Working Papers*, No. 31, OECD Publishing, Paris, <http://dx.doi.org/10.1787/a9204f40-en>.