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Mexico

Sugar

Tax Lifted for Beverages Containing HFCS

2002

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Report Highlights:

On March 5, 2002, the Secretariat of Treasury published in the *Diario Oficial* (Federal Register) the lifting of the 20 percent tax imposed on sales of beverages containing HFCS. This is a temporary measure, effective from March 6 to September 30, 2002.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1], MX

Introduction: This report summarizes an announcement by the Secretariat of Treasury published in Mexico's "*Diario Oficial*" (Federal Register) on March 5, 2001.

Disclaimer: This summary is based on a *cursory* review of the subject announcement and therefore should not, under any circumstances, be viewed as a definitive reading of the regulation in question, or of its implications for U.S. agricultural export trade interests. In the event of a discrepancy or discrepancies between this summary and the complete regulation or announcement as published in Spanish, the latter shall prevail.

FAS/Mexico's Executive Summary: On March 5, 2002, the Secretariat of Treasury (SHCP) published a Decree issued by the President of Mexico, lifting the 20-percent tax imposed on sales of soft drinks and beverages that use any sweetener other than sugar from cane, among other taxes. This means that any soft drink, concentrate products, mineral water, syrups, flavor extracts that are used to produce any drinking beverage containing high fructose corn syrup (HFCS) are NO longer subject to the 20 percent tax. This exemption, however, is temporary, as this notification will be in force only up to September 30, 2002. Previous to this announcement, the sugar industry and several legislators had pronounced themselves against this measure.

Trade Concerns: The HFCS industry is concerned that the temporary six month suspension of this tax will force the bottling industry to stop producing soft drinks and beverages with HFCS before September 30th. This uncertainty affects Mexican HFCS production and U.S. corn imports. Also, this temporary lifting of the tax could provide the Mexican government with leverage to put pressure on the United States to increase the sugar quota that was agreed under NAFTA.

Title: Decree that lifts taxes for several products.

Important Dates

- 1. Publication Date:** March 5, 2001
- 2. Effective Date:** March 6, until September 30, 2002

Agency in Charge: Secretariat of Treasury (SHCP)

Background Information:

On January 1, 2002, Mexican legislators included new taxes on beverages containing HFCS. The new legislation imposed a 20 percent tax on sales of soft drinks and beverages that used any sweetener other than sugar from cane. The tax was included in the reformed Law of Special Taxes on Production and Services published in the Mexican Federal Register (*Diario Oficial*) January 1, 2002 (see report MX 2002). Companies producing and importing HFCS were adversely affected as production and imports were almost stopped.

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FAS Mexico Web Site: We are available at <http://www.atomexico.gob.mx> or visit our headquarter's home page at <http://www.fas.usda.gov> for a complete selection of FAS' worldwide agricultural reporting.

Useful Mexican Web Sites: Mexico's equivalent of the Department of Agriculture (SAGARPA) can be found at www.sagarpa.gob.mx and Mexico's equivalent of the Department of Commerce (SE) can be found at www.economia.gob.mx. These web sites are mentioned for the readers' convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with the information contained on the mentioned sites.