

# TWO BY ONE

**Alfredo Lazcano and Andrea Avedillo**, Mexican Gaming Lawyers of the Lazcano Sámano law firm, discuss Mexico's New IEPS landscape for betting and digital platforms

Mexico's recent reform to the Special Tax on Production and Services Law ("IEPS Law"), which entered into force on January 1, 2026, marks a significant milestone in the evolution of its gaming and digital economy. Rather than merely adjusting tax rates or expanding the taxable base, the reform has effectively crystallized the existence of two distinct regulatory and tax regimes under which betting activities may lawfully operate in the country.

On the one hand, Mexico has long maintained a regulated framework for betting games and drawings, whether land-based or online, overseen by the Ministry of the Interior ("SEGOB") pursuant to the Federal Law on Games and Drawings and its Regulations. On the other hand, the IEPS Law reform expressly incorporates betting and gaming activities offered through the internet or electronic means by digital platforms ("Digital Platforms"), bringing them squarely within the tax orbit of the Ministry of Finance and Public Credit ("SHCP").

At first glance, this duality may appear to generate tension or even overlap. A closer legal analysis, however, reveals that both regimes are conceptually capable of coexisting in a coherent and harmonious manner, provided their respective scopes are properly understood.

## A TALE OF TWO LEGAL CONSTRUCTS

The traditional gaming regime is grounded in a permit-based model. SEGOB is empowered to authorize, supervise, and regulate betting games and drawings, including remote betting centers, which must be operated by Mexican entities that satisfy specific legal and operational requirements. This framework reflects a classic public-law approach:

authorization first, operation second, under close regulatory oversight.

By contrast, the Digital Platform regime embedded in the IEPS Law responds to a different policy objective. It builds upon Mexico's broader effort, initiated in 2019 with an amendment to the Value Added Tax Law, to tax digital services provided from abroad to Mexican residents. Under this model, now based on the IEPS Law, foreign platforms may offer betting and gaming with or without a physical presence in Mexico, subject primarily to tax registration, reporting and payment obligations.

From a theoretical legal standpoint, these constructs do not cancel each other out, rather, they regulate different legal statuses, even when the underlying activity – betting – is functionally similar. One regime is anchored in administrative authorization and public order considerations; the other is rooted in fiscal nexus and digital economy taxation.

## WHERE THEORY MEETS PRACTICE

That said, the true test of any legal reform lies not in its conceptual elegance but in its implementation. As for the reform's entry into force, several practical questions naturally arise.

For example, while the IEPS Law enables Digital Platforms to offer betting services from abroad under a tax framework, the existing Gaming Regulations still contemplate that remote betting centers operate pursuant to permits granted to Mexican entities. This may raise questions about how the coordination between tax authorities and gaming regulators will work; however, it is something that, in our experience, tends to work very efficiently when the SHCP is involved due to its tax collection interests.

Importantly, the amendments to the Internal Regulations of the Ministry of the Interior, published on March 21, 2025, already point in that direction, granting the gaming authority (the General Directorate of Games and Drawings of SEGOB) powers to establish "control mechanisms and rules" for Digital Platforms. This demonstrates an evolving regulatory ecosystem, rather than a rigid or contradictory one.

## STRATEGIC OPTIONALITY FOR OPERATORS

One of the most relevant implications of the new landscape is that operators are no longer confined to a single regulatory path. Foreign betting operators may choose to operate as Digital Platforms under the IEPS Law, focusing

on tax compliance and digital service obligations. Moreover, under the Digital Platforms scheme, there is currently the flexibility to operate either without establishing a Mexican entity (which, by the way, will not constitute a permanent establishment for tax purposes), or by establishing one if it suits the business and operational interests of the applicants.

Alternatively, unless SEGOB determines otherwise, for now international operators may opt to pursue a traditional gaming permit, establishing a Mexican entity and complying with the full spectrum of Gaming Regulations.

Although these options share the same tax rate set forth in the IEPS Law, they are not mutually exclusive in principle, but they are legally distinct, each carrying its own compliance burdens, costs and strategic considerations. Understanding this distinction is essential for operators seeking to enter or expand within the Mexican market.

## A FORWARD-LOOKING PERSPECTIVE

From a general perspective, the amendment to the IEPS Law should be read as part of Mexico's gradual adaptation to a digitized betting market. The recognition of Digital Platforms as a taxable and regulated reality reflects the trends of borderless digitalization at a global level and aligns Mexico with other jurisdictions grappling with similar challenges.

From a practical point of view, Digital Platforms are based on a new robust legal framework, so inevitably their regulatory implementation will have to be built gradually by regulators and market participants. The stage is set for Mexico to continue shaping a balanced framework that safeguards public interests while fostering innovation and legal certainty. ◀



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