



How Mexico's potential GGR tax hike to 50% could shake up the sector

Lazcano Sámano lawyers Alfredo Lazcano and Andrea Avedillo explain how a proposed GGR tax increase from 30% to 50% could see smaller operators exit the Latam market



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The President of Mexico, Claudia Sheinbaum, has put forward a proposal that could significantly reshape the country's gambling landscape. As part of the Economic Package for 2026 presented in early September to the Federal Congress, a bill was introduced to amend the Special Tax on Production and Services Law (IEPS Law) to increase the rate on "games with bets and drawings" from 30% to 50%, opening the opportunity to offshore online gambling operators that offer their services in Mexico so that they continue doing so legally as taxpayers in this jurisdiction, and without this bill currently requiring a Mexican gambling licence.

Mexico's government has framed this bill as both an effort to align with international best practices and a response to the digitalisation of the sector. Across Latin America and Europe, policymakers have been seeking ways to capture more tax revenue from gambling activities, particularly those taking place online. However, Mexico's proposed 50% rate would stand out as one of the most aggressive in the region, placing the country in line with jurisdictions that have argued for adopting higher fiscal burdens as a means to discourage excessive gambling while bolstering public finances.

For Mexican permittees – the domestic entities that hold government-issued gambling permits – the reform would translate into an immediate increase in their IEPS liability. Current margins, already pressured by a competitive market, operational costs and quite a few compliance obligations, could narrow further.

Permittees may be forced to reconsider their business models, renegotiate contractual terms with technology and platform suppliers, or reassess their market strategy altogether. For smaller permittees, we think that the change could even threaten sustainability, potentially consolidating the market in favor of larger, well-capitalised groups.

Nevertheless, the most novel element of the proposal to amend the IEPS Law lies in a new paragraph within Article 2, section II, item B of the IEPS Law. This provision would explicitly extend the tax to games with bets offered through the internet or electronic means by non-resident entities without a permanent establishment in Mexico, provided that the recipient of such services is located in the country.

This mirrors the approach Mexico took in 2020 with its Value Added Tax Law (VAT Law) reform, which imposed registration, reporting and invoicing obligations on foreign providers of digital services such as streaming platforms and ecommerce marketplaces.

A potential gamechanger

Should the IEPS amendment be enacted, gambling operators based abroad (and even intermediary platforms facilitating wagers) would face obligations similar to those already applicable to digital service providers under the VAT Law. This includes registration with Mexican tax authorities, appointing a local representative, issuing electronic invoices and filing monthly tax reports.

At this point, the proposal raises certain questions about how the Mexican government intends to implement it, not only in fiscal terms but also within the gaming regulatory framework; therefore, we strongly believe that it will be essential that clear rules be implemented at the appropriate time to ensure a reasonable tax burden, an updated and effective regulatory compliance regime, and, ultimately, a sound business environment.

From a non-fiscal perspective, what would ultimately be a gamechanger for the online gambling sector in Mexico is that foreign operators from an offshore jurisdiction could lawfully operate possibly without the obligation to do so through a Mexican permittee.

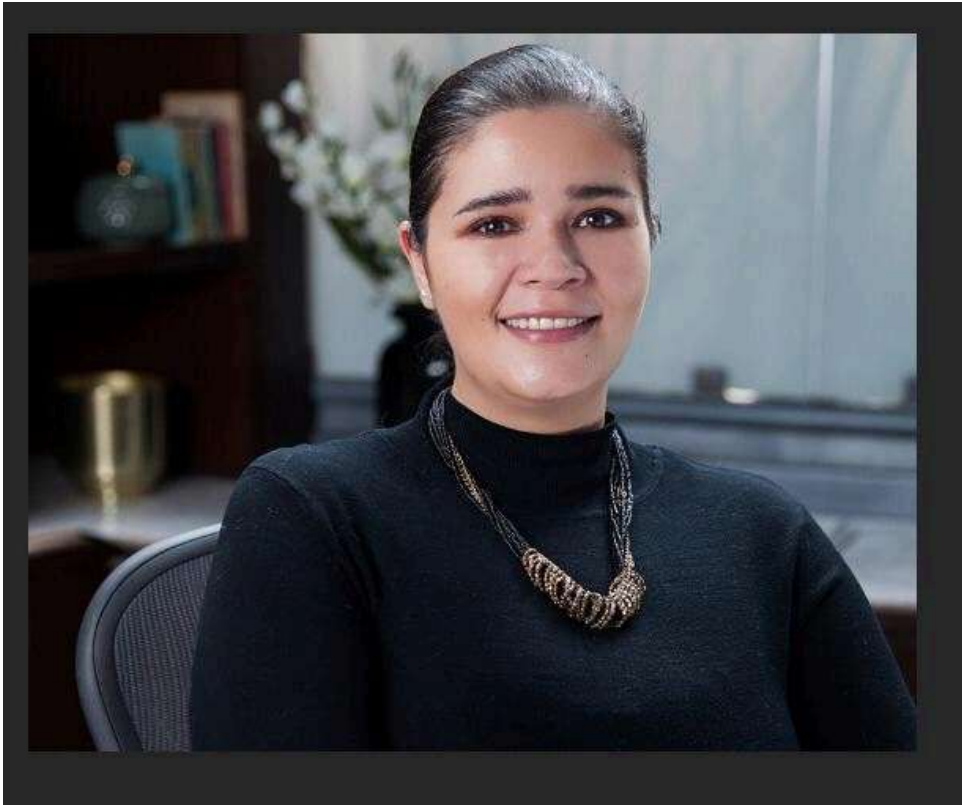
It is important to emphasise that the bill is still a proposal. And as with any legislative initiative in Mexico, the bill must undergo debate and approval in Congress, and its final form could differ from the draft currently on the table. Political considerations, industry lobbying and the broader fiscal outlook will all shape the outcome.

Still, the message from Mexico's government is clear: gambling, particularly in its digital form, is now firmly in the spotlight as a source of tax revenue.

For now, the industry must navigate a period of change that seems substantial. Companies operating in or targeting Mexico would be well advised to monitor the legislative process closely, assess the potential impact on their operations and prepare for a compliance landscape that may soon become a bit more complex.



Alfredo Lazcano is chair at Lazcano Sámano, and besides being a Mexican lawyer, he is a renowned Latin American thought leader and adviser on gaming best practices and cutting-edge entertainment technologies at an international level. He is frequently invited to contribute to policy discussions and share best practices at the highest levels of the global industry.



Andrea Avedillo is head of legal at Lazcano Sámano, and she is one of the few Mexican lawyers with experience and a reputation in the global gaming industry. Her extensive experience and track record advising international stakeholders place her as a trusted authority for navigating Mexico's evolving regulatory landscape.

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