



UHY International

Tourism taxes study



Mexico must do more to help tourist economy when travel bans finally end – industry facing significantly higher taxes than global average

Only four countries in study have cut taxes to aid tourist economies
Extension to tax cuts “will almost certainly be needed” as Covid restrictions continue

Mexico must do more to help its tourist economy when the Covid travel bans finally end by cutting tourism related taxes, shows a new study by UHY, the international accountancy network. The study shows that a tourist in Mexico pays 18.9% in tax on a typical daily spend, compared to global average of 13.7%.

UHY’s study shows that a tourist in Mexico City* pays USD48.30 in tax on a typical daily spend worth USD255, compared with global average USD34.82.

Mexico ranked 5th highest for tourist taxes in UHY’s study covering 25 countries. UHY measured the tax paid on a number of everyday purchases by tourists – one night in a four-star hotel in a major tourist city (USD150), a meal for two in a restaurant (USD75) and a bottle of wine (USD30).

Mexico charges higher taxes for tourists than other North American economies in the US (9.7% and Canada (16.4%).

UHY’s study found that while the UK, Ireland, Germany and China have been quick to make significant tax cuts to aid the tourism industry, 21 of 25 countries in the study including Mexico have not yet made any cuts. The firm says that governments could consider accelerating tax cuts to help their tourism economies.

UHY Glassman Esquivel y Cía S.C., UHY’s member firm in Mexico says tourism contributes a significant amount to the Mexican economy and the sector continues to grow, now accounting for 9% of GDP. The Mexican tourism department had started implementing a six-year strategy to encourage foreign visitors, including infrastructure and hotels which is expected to cost over \$816m.

Mexico has long been a popular destination among travellers, particularly those from the US who are the main source of Mexico’s foreign income. However, the restrictions on international travel has severely impacted Mexico’s economy, putting millions of jobs at risk.

UHY says the Mexican government has implemented little in the way of tax cuts or aid packages to help businesses during the pandemic compared to other countries. High taxes on tourism related products and services can deter visitors and put a serious strain on businesses in the hospitality and leisure industry who rely heavily on revenue from international travellers.

UHY says that there is significant scope for central and local governments around the world to stimulate demand for tourist businesses by cutting taxes on consumption, alcohol duties and local taxes in tourist cities.

Even in the countries that have cut taxes on tourism, extensions will almost certainly be needed until the sector begins to recover. The UK's 5% VAT rate for the leisure and hospitality sector is set to expire and return to 20% at the end of March 2021, while China's zero VAT rate ends on December 31 2020. Germany has already announced that its temporary 7% VAT rate will not return to its usual 19% until July 2021. Ireland has temporarily cut its VAT rate for hospitality and tourism businesses from 13.5% to 9% until December 2021.

The tourist industry has been among those worst-hit by Covid, with restrictions on travel set to continue for at least several more months. The International Civil Aviation Authority reported in May that the pandemic is likely to have reduced air passenger numbers by 1 billion by the end of September 2020. This has caused substantial knock-on effects for sectors including hotels, restaurants and visitor attractions.

Oscar Gutiérrez Esquivel, Managing Partner at UHY Glassman Esquivel y Cía S.C., says: "The tourism industry is critically important in [Mexico] and the government could do more to help it through one of the most difficult periods it has ever faced."

"As travel restrictions are loosened Mexico needs to ensure it has competitive tourism taxes to remain an attractive destination to travellers, if its tourism industry is to recover to pre-Covid levels."

"This is not only a national government issue – local and regional governments could also do more to help. Many tourist cities levy specific taxes on hotel rooms and suspending those charges for a period would lift a little more of the burden from tourists and the hospitality industry."

UHY says that Europe (11.3%) has lower taxes than the global average on tourism. Some European countries that rely relatively heavily on their tourism industries have among the lowest tourist taxes in UHY's study, including Spain (10%) and France (11.6%).

*Tourism taxes vary for different regions of Mexico. This study uses the tourism taxes for Mexico City, which comprise a VAT rate of 16% and a city tax of 5%

Tourism taxes in Mexico make up 18.9% of a tourist's typical daily spend

Rank	Country	Value of tax paid on a tourist's typical daily spend of USD255	Tax paid as a percentage on a tourist's typical daily spend of USD255	Tax paid as a percentage on a tourist's typical daily spend of USD255 pre-Covid
1	India	\$ 102.75	40.3%	NO CHANGE
2	Pakistan	\$ 57.00	22.4%	
3	Argentina	\$ 53.55	21.0%	
4	Russian Federation	\$ 51.40	20.2%	
5	Mexico	\$ 48.30	18.9%	
6	Croatia	\$ 48.25	18.9%	
7	Israel	\$ 43.35	17.0%	
8	Netherlands	\$ 42.39	16.6%	
9	Canada	\$ 41.70	16.4%	
10	Philippines	\$ 34.81	13.7%	
11	Ireland	\$ 33.25	13.0%	14.6%
12	Nigeria	\$ 31.88	12.5%	NO CHANGE
13	France	\$ 29.62	11.6%	
14	Japan	\$ 27.40	10.7%	
15	Poland	\$ 25.98	10.2%	
16	Australia	\$ 25.50	10.0%	
17	Spain	\$ 25.50	10.0%	
18	Vietnam	\$ 25.50	10.0%	
19	United States	\$ 24.74	9.7%	
20	Uruguay	\$ 23.10	9.1%	
21	United Kingdom	\$ 19.90	7.8%	
22	Belgium	\$ 19.80	7.8%	NO CHANGE
23	Romania	\$ 19.05	7.5%	
24	Germany	\$ 15.80	6.2%	11.9%
25	China	\$ -	0.0%	6.8%
	EU average	\$ 28.85	11.3%	12.1%
	MSCI Emerging Markets Index average	\$ 47.48	18.6%	19.2%
	Overall average	\$ 34.82	13.7%	14.7%



Notes for Editors

To learn more about the services and capabilities **UHY Glassman Esquivel y Cía. S.C.** can offer, please contact **C.P.C. Oscar Gutierrez Esquivel, Partner Director**, at contacto@uhy-mx.com.

About UHY Glassman Esquivel y Cía. S.C.

UHY Glassman Esquivel y Cía. S.C. has fee income of over **40,537,459**, **4** offices, **7** partners and over **121** staff.

UHY Glassman Esquivel y Cía. S.C. is a member of UHY, an international network of independent accounting and consulting firms with offices in major business centres throughout the world. Further information can be found at www.uhy-mx.com

Press Enquiries

UHY Glassman Equivel y Cía. press contact: Erick Pavón
contacto@uhy-mx.com

UHY global press contact: Leigh Lyons on +44 20 7767 2624

Email: l.lyons@uhy.com – www.uhy.com

Nick Mattison or Richard Crossan

Mattison Public Relations

+44 20 7645 3631

+44 74 4637 5555

Email: richard.crossan@mattison.co.uk



About UHY

Established in 1986 and based in London, UK, UHY is a leading network of independent audit, accounting, tax and consulting firms with offices in over 330 major business centres across 100 countries.

Our staff members, over 8,500 strong, are proud to be part of the 17th largest international accounting and consultancy network. Each member of UHY is a legally separate and independent firm. For further information on UHY please go to www.uhy.com.

UHY is a member of the Forum of Firms, an association of international networks of accounting firms. For additional information on the Forum of Firms, visit www.forumoffirms.org

CENTRO DE INFORMACIÓN COVID-19 EN MÉXICO

Ciudad de México

Av. Paseo de la Reforma No. 195 Pisos 16, 17 y PH, Del. Cuauhtémoc Col. Cuauhtémoc, Ciudad de México, C.P. 06500

Tel: + 52 55 55661888

Email: contacto@uhy-mx.com

Web: www.uhy-mx.com

RRSS: [LinkedIn](#) | [Facebook](#) | [Twitter](#)

Monterrey N.L. - Villahermosa Tab. - Querétaro Qro.

The information contained in this communication is confidential and is intended solely for the use of the individual or entity to whom it is addressed. You should not copy, disclose or distribute this communication without the authority of UHY Glassman Esquivel y Cía., S.C. UHY Glassman Esquivel y Cía., S.C. is neither liable for the proper and complete transmission of the information contained in this communication nor for any delay in its receipt. UHY Glassman Esquivel y Cía., S.C. does not guarantee that the integrity of this communication has been maintained nor that the communication is free of viruses, interceptions or interference. UHY Glassman Esquivel y Cía., S.C. is not bound by or liable for any opinion, contract or offer to contract expressed in any email. Any party wishing to obtain the firm's professional opinion, or to contract with UHY Glassman Esquivel y Cía., S.C., should obtain written confirmation of any emailed material. If you are not the intended recipient of this communication please return the communication to the sender and delete and destroy all copies.

A member of Urbach Hacker Young International Limited,
An international network of independent accounting and consulting firms