



## Tax Alert

# Historic peso appreciation: **critical impact** on Transfer Pricing, Tax & Customs

The Mexican peso reached its strongest level in 30 years. For multinationals, this isn't just a macro data point — it's a factor distorting margins, invalidating TP studies, and creating audit risks.

The Mexican peso experienced in 2025 its **sharpest appreciation since 1994**, moving from 20.88 to levels of 17.20 MXN/USD – a variation of over 15%. This is not a normal market fluctuation. It's a structural movement driven by carry trade, dollar weakness, and attractive interest rates that **fundamentally alters** the economics of intercompany operations.

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## **The context: largest peso appreciation in 30 years**

The Mexican peso closed 2025 at 18.00 MXN/USD and reached lows of 17.16 in January 2026 – levels not seen since July 2024. This annual appreciation of nearly 15% is the largest since Mexico adopted its floating exchange rate regime in December 1994.

The drivers behind this movement are structural, not cyclical: (1) generalized dollar weakness from commercial uncertainty and Fed monetary policy, (2) massive carry trade operations leveraging the 325 basis point Mexico-US rate differential, (3) high liquidity of the peso as the third most-traded emerging market currency globally, and (4) expectations of USMCA continuity after government agreements.

For 2026, institutional projections anticipate a range of 19.30 to 20.50 pesos per dollar at year-end, with elevated volatility from the formal USMCA review, US tariff threats, and potential carry trade unwinding if the Bank of Japan continues raising rates.

**17.20**

Average exchange  
rate Feb 2026  
(MXN/USD)

**-15.1%**

Peso appreciation  
vs Feb 2025

**325 pb**

Mexico-US rate  
differential  
(Banxico 7.0% vs  
Fed 3.75%)

**80% +**

Of peso volume  
has speculative  
component



# Critical impacts on intercompany operations



## Operating margin distortion

Mexican importers see automatic margin improvement (costs down 15% in MXN). Export maquiladoras suffer severe compression (revenues down, local costs up). Both scenarios trigger exit from TNMM comparable ranges.



## Temporal incomparability in TP studies

External comparables use historical data with 20.50 exchange rate. The tested party operates today at 17.20. This 16% gap invalidates comparability analysis if not properly documented.



## Tax effects of FX gains

A company with \$50M USD liabilities generates taxable FX gain of \$184M MXN, paying additional income tax of \$55M. Importers with dollar-denominated debt face unexpected significant tax burden.



## Customs vs Transfer Pricing divergences

The same product declared at customs at \$100 USD was worth \$2,050 MXN in 2024 but only \$1,720 MXN in 2025. Customs authorities may challenge price variations that are purely FX-driven.

# What this means for your company

## 01 Current TP studies may be obsolete

If your transfer pricing study uses 2022-2023 comparables with exchange rates of 19-21 pesos, and your company operates today at 17.20, there's a **10-16% FX mismatch** that authorities may interpret as lack of substance or aggressive planning. Documentation must include FX sensitivity analysis.

## 02 Importers: extraordinary benefit = adjustment risk

Mexican distributors importing USD products experience **automatic gross margin improvement of 9-10 percentage points**. Tax authorities may argue these extraordinary benefits don't correspond to limited-risk functions and propose compensatory adjustments toward the parent.

## 03 Exporters: margin compression = out of range

Maquiladoras with dollar revenues and peso costs suffer **operating margin compression from 5.5% to 2.5%**, falling below the 4-7% market range. This creates risk of authorities determining arm's length principle non-compliance.

## 04 FX gains are taxable – plan your cash

FX gains on USD liabilities are **taxable for income tax without generating cash flow**. A company with \$100M dollar-denominated debt faces additional income tax of \$36.8M that must be paid from operating resources. Cash flow planning is critical.

## Why this is a Transfer Pricing issue – not just finance

Exchange rate variation doesn't only affect financial statements. It fundamentally alters **economic comparability** that underpins transfer pricing studies. When operating margins vary 50-200% from purely FX effects, the TNMM methodology (used in >70% of Mexican cases) produces distorted results.

OECD Guidelines 2022 (paragraph 1.38) establish that differences in economic conditions – including exchange rates – can significantly affect comparability. Ignoring this factor in documentation equals presenting technically deficient analysis before tax authority audit or dispute resolution.

This requires **immediate coordination between tax, finance, and transfer pricing areas** to: (1) quantify FX impact on PLIs, (2) document comparability adjustments, (3) review intercompany pricing policies, and (4) evaluate whether terms with related parties require renegotiation.

## Immediate actions to consider

- **Quantify the impact on your operating margins.** Compare your PLIs (operating margin on sales, on costs, on assets) between 2024 and 2025 isolating the FX effect. Identify if you fall outside the interquartile range of comparables.
- **Perform FX sensitivity analysis in your TP study.** Document how your PLIs vary with exchange rates of  $\pm 10\%$ ,  $\pm 15\%$ , and  $\pm 20\%$ . Demonstrate that deviations from the range result from economic conditions, not pricing policy.
- **Review consistency between customs values and transfer prices.** Ensure price variations declared in import documents have documented FX justification. Customs authorities will cross-check this information.
- **Project tax impact of FX gains/losses.** If you have net monetary position in USD (assets minus liabilities), calculate the income tax effect under different scenarios: FX of 17.00, 18.50, and 20.00 at 2026 year-end.
- **Evaluate if your intercompany contracts require updates.** Review whether they include FX adjustment clauses or renegotiation mechanisms. Consider if sustained appreciation justifies modifying terms with related parties.


## Has your company assessed FX impact on TP and tax position?

At LATPG Advisors we develop integrated diagnostics analyzing FX effects on transfer pricing, operating margins, tax impacts, and customs compliance – the same multidisciplinary perspective authorities will apply. Contact us today.



### Armando Cabrera


 [armando.cabrera@latpgadvisors.com](mailto:armando.cabrera@latpgadvisors.com)

 WhatsApp: +52 55 4055 9158



### Moisés Curiel

 [moises.curiel@latpgadvisors.com](mailto:moises.curiel@latpgadvisors.com)

 WhatsApp: +52 55 5456 4416