



ICT on the Public Agenda

Media Coverage of Digital Economy and ICT Industry

July 2020

Sector: ICT



Intelligence

The “digital economy” and the digital gap have commanded most of the attention of the IT sector. From here there are three key components that stand out in this month’s media coverage: the **USMCA** and its potential to empower the technology field in Mexico, the taxation rules for digital platforms, and the issues related to national cybersecurity.

As the **USMCA** came into force on July 1, many outlets started to discuss how the digital chapter would impact the economic life of the country. Digital commerce is being anointed as a central avenue to promote economic growth. Also, the regulatory framework for Mexican SMEs under this “new commercial era” is a key topic nationwide, especially because 95 percent of the companies are SMEs. Apart from the profits that digital commerce has brought during the pandemic, it has been mentioned that there is a need to have a legislative harmonization process that underpins the content of this treaty, and the need to develop an infrastructure for the creation of an integrated digital market with the US and Canada.

In the same context, cybersecurity improvements are also considered relevant for the digitalization of Mexico. This need was clearly demonstrated as three public institutions were hacked in the same month. Although in 2017 Mexico presented its national cybersecurity strategy the **Inter-American Development Bank** issued a report that states that Mexico should focus on improving the deployment of cyber security standards and technical controls. This statement takes value when it has been confirmed that cyberattacks, hacks, fraud and theft of data via the internet in Mexico have increased by 800 percent during the Covid-19 pandemic.

Activities in the News

Digital chapter of the USMCA, a watershed that will empower technology startups - Forbes

July 1st

With the development of the digital chapter, it appears that international trade is open not only to SMEs, but also to any future entrepreneur.

OECD issues rules for digital platforms - El Economista

July 5

With the digitization of the economy, the transactions that take place within the platforms are not always reported to the tax administrations, something that is sought to be reversed.

Mexico’s government subtracts connectivity and increases the digital gap - Infochannel7

July 21

These reductions contradict this administration’s proposal to help connect Mexico and will widen the digital divide. This may not only have a high impact on people who lose access to connectivity, but will also reduce access to the population to digital services such as paperwork, health, online education and even the possibility of working remotely.

Tax on the digital world in Mexico - El Heraldo

July 23

The new digital tax law has mainly impacted large companies. The two main taxes that are charged to digital platform companies are the Value Added Tax (VAT) at 16% and the Income Tax (ISR) at 32%.

In addition, the media has focused great attention on the new scheme for the implementation of taxes on digital platforms that are domiciled abroad and must be registered in the **Tax Administration Service** of the **Ministry of Finance and Public Credit**. In the same line, the **Organization for Economic Cooperation and Development (OECD)** issued the “Model Rules” for digital platforms that report on users who generate incomes. As a response, global companies as **Airbnb** filed the first injunction to challenge the Mexican tax reform of 2019 that established the payment of VAT and ISR in the contracting of services and purchase of goods online. Additionally, restaurant owners stopped using food delivery apps arguing that the fee charged by the platforms plus the current taxes disables them from receiving profits.

Lastly, the media has been critical of public decisions. The austerity policy of the current administration dictates a 75 percent reduction in spending, which led to the withdrawal of computer equipment in various dependencies, cancellation of trusts such as the **eMexico** connectivity program, as well as the cessation of the renewal of several framework contracts regarding information technology.

The rapid evolution of the digital economy and tech regulatory framework in Mexico will demand continued coverage of the important issues as they develop. The media will have a critical role to play moving forward in keeping the public informed of new government actions and other developments.

Mexico presents lags in cybersecurity: IDB July 29

The Covid-19 crisis has highlighted the dependence on a vital infrastructure and now more than ever daily life revolves around increasingly digitized activities and in consequence, this has led to more vulnerabilities to cyberthreats in the region.

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This report was prepared by



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All information presented is based on official sources and reliable media. It is a compilation of the most relevant events of the month. AGIL(E) uses the information gathered to provide a conceptual analysis.

The information presented covers July 1st - August 1st