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Imports of Anti-Pollution Equipment Eligible for New Tax Breaks

by LADB Staff

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In early February, President Ernesto Zedillo's administration announced a plan to eliminate tariffs for companies that import state-of-the-art anti-pollution equipment. Companies will receive tax breaks when they purchase equipment designed for treatment or prevention of emissions and wastes. The initiative was announced jointly by the Trade Secretariat (SECOFI) and the national environmental institute (Instituto Nacional Ecologico, INE). INE is a division of the Environment, Natural Resources, and Fisheries Secretariat (SEMARNAP).

Under the rules, companies will be allowed to petition SECOFI for an import-tax discount or exemption on foreign-made equipment that meets INE's clean-technology criteria. "The idea is to create an economic incentive to help solve our horrendous hazardous-waste and air-pollution problems," said INE president Gabriel Quadri de la Torre in an interview with the Mexico City daily newspaper *The News*.

Initiative expected to boost imports substantially

Meanwhile, unofficial estimates compiled by SECOFI indicate that the tax breaks could help increase imports of pollution-control equipment to close to US\$200 million in 1997. Quadri said the tax break will apply to equipment such as smokestack filters, discharge-treatment systems, and waste- containment materials capable of preventing environmental degradation. "Making imports of clean technology as inexpensive as possible is one step toward resolving our ecological crisis," said Quadri.

According to the daily business newspaper *El Economista*, the national manufacturing industry chamber (Camara Nacional de la Industria de Transformacion, CANACINTRA) will have to approve import-tax exemptions before they become official. This step will help ensure that the permits are awarded only for products that are not manufactured in Mexico. Still, authorities expect CANACINTRA to reject very few applications, since only a few Mexican companies are involved in the manufacture of high-technology anti-pollution equipment.

Tax break for small, medium-sized businesses

CANACINTRA president Carlos Gutierrez Ruiz said the tax break will especially benefit small and medium-sized businesses, many of which cannot afford to acquire the proper anti-pollution equipment. According to CANACINTRA, only about one-third of small and medium-sized businesses have installed anti-pollution devices. "We want to support those businesses that are having trouble financing equipment purchases," said Gutierrez.

Quadri said that INE is promoting the tax break for factories based in Mexico City, which will soon have to comply with tougher anti-smog regulations. In addition to the tax break, said Quadri, INE

is negotiating other forms of financing for Mexico City companies, such as a proposed US\$200 million loan from the Japanese Export-Import Bank. Additionally, Quadri said that this year INE has developed a new regulatory blueprint that will make the government's pollution-inspection functions much more efficient. "It makes no sense to have different people checking a company's emissions into the air, water, and soil," said Quadri. "We are going to lump these processes together and reduce a location's overall pollution." (Sources: La Jornada, 02/03/97; El Universal, 01/28/97, 02/05/97; El Economista, 02/07/97; The News, 02/07/97)

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