

MEXICAN SUPREME COURT RULES MEXICO CITY'S 2024 REAL ESTATE ACQUISITION TAX RATE SCHEDULE UNCONSTITUTIONAL

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Executive Summary:

- On October 9, 2026, binding judicial precedent P./J. 196/2026 (12a.) was published in the Federal Judicial Weekly (*Semanario Judicial de la Federación*), whereby the Plenary of the Supreme Court of Justice of the Nation (the "SCJN") held that the rate schedule applicable to the Real Estate Acquisition Tax (*Impuesto sobre Adquisición de Inmuebles*, or "ISAI"), established under Article 113 of the Mexico City Tax Code in effect during 2024, violates the principle of tax proportionality set forth in Article 31, Section IV, of the Mexican Federal Constitution.
- The SCJN concluded that the rate schedule fails to ensure the progressive application of the tax, as the combination of fixed amounts and calculation factors may, under certain circumstances, result in the acquisition of a higher-value property being subject to a lower tax liability than the acquisition of a property of lesser value.
- The precedent will become binding on the relevant courts as of October 13, 2026. However, its publication does not eliminate the obligation to pay the ISAI, nor does it, in itself, entitle taxpayers to a refund of amounts previously paid.
- Although the precedent specifically concerns the rate schedule applicable during 2024, its underlying reasoning provides a relevant constitutional standard for assessing other tax rate schedules with similar calculation mechanisms, without automatically extending its application to different statutory provisions.

ISAI CALCULATION MECHANISM AND GROUNDS FOR ITS UNCONSTITUTIONALITY

The ISAI is a local tax levied on the acquisition of real estate located in Mexico City, payable by individuals and legal entities undertaking such transactions. The taxable base is determined by reference to the highest of the purchase price, the cadastral value, or the appraised value of the property, in accordance with the applicable provisions of the Mexico City Tax Code.

During fiscal year 2024, Article 113 of the Mexico City Tax Code established a rate schedule consisting of different brackets based on the value of the property. To calculate the tax, the applicable bracket had to be identified, and the corresponding fixed amount was increased by the result of applying a specified factor to the portion of the property's value exceeding the lower threshold of that bracket.

Although this mechanism was intended to increase the tax liability as the property's value increased, the SCJN determined that the fixed amounts and applicable factors were not properly coordinated across the different brackets, resulting in unjustified reductions in the tax payable when moving from one bracket to the next.

To illustrate this inconsistency, the SCJN noted that, under the rate schedule applicable during 2024, a property valued at MXN 2,975,728.34 generated a tax liability of MXN 147,861.83, whereas a property valued at MXN 2,975,728.35, only one cent higher, generated a tax liability of MXN 128,817.18. Thus, an increase in the property's value could result in a reduction of MXN 19,044.65 in the tax payable, demonstrating a tax burden inconsistent with the constitutional principle of tax proportionality.

In this regard, the SCJN clarified that the constitution-

ality of a progressive tax rate schedule does not depend solely on the existence of increasing brackets, fixed amounts, and calculation factors, but rather on whether its actual application is consistent with taxpayers' ability to pay.

Accordingly, the SCJN held that Article 113, as in effect during 2024, violates the principle of tax proportionality by failing to ensure that the tax liability increases as the value of the property rises.

SCOPE AND EFFECTS OF THE BINDING PRECEDENT

In *amparo* appeals 296/2025, 297/2025, and 298/2025, the SCJN held that the constitutional defect identified in the rate schedule did not affect the other essential elements of the ISAI and, therefore, did not eliminate the obligation to pay the tax. Accordingly, constitutional relief was granted to remedy the distortions in its calculation and, where applicable, to refund amounts paid in excess, in accordance with the specific relief granted in the respective judgments.

The ruling also has implications for disputes concerning prior fiscal years. Through General Agreement 9/2026-LAG, published in the Federal Official Gazette (*Diario Oficial de la Federación*) on September 18, 2026, the SCJN lifted the deferral of adjudication of pending appeals before the Collegiate Circuit Courts (*Tribunales Colegiados de Circuito*) concerning the constitutionality of the ISAI rate schedules applicable to fiscal years 2022, 2023, and 2024, and directed those courts to resolve such cases in accordance with the reasoning established in the aforementioned precedents.

With respect to fiscal years 2025 and 2026, the SCJN's reasoning provides a relevant constitutional standard for assessing the ISAI rate schedules applicable during those periods, particularly to determine whether the interaction between their brackets, fixed amounts, and calculation factors produces results consistent with the principle of tax proportionality or gives rise to distortions similar to those identified in the 2024 rate schedule.

Furthermore, the significance of this binding precedent extends beyond the ISAI, as it provides grounds for assessing the constitutionality of other taxes calculated using brackets, fixed amounts, and calculation factors. In particular, the SCJN's reasoning allows for an assessment of whether the combined application of these elements results in tax burdens consistent with taxpayers' ability to pay and, where appropriate, may strengthen the legal grounds for challenging provisions that produce disproportionate results.

In this regard, the SCJN's reasoning may strengthen constitutional challenges involving other taxes structured around brackets, fixed amounts, and calculation factors, particularly where their application results in unjustified reductions in tax liability between brackets or imposes tax burdens inconsistent with taxpayers' ability to pay. Accordingly, the precedent provides relevant grounds for identifying and challenging potential distortions in the calculation of other taxes.

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