

## The European Union and Mexico are modernising their trade agreement. Taxes are becoming a real issue in relations between Poland and Mexico

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The European Union and Mexico have signed the Modernised Global Agreement (MGA) and the Interim Trade Agreement (iTA). This is a landmark moment which, following years of negotiations, opens up access for Polish businesses to a dynamic market of over 131 million consumers. Thanks to the reduction and elimination of tariffs, including in the agri-food sector – which is crucial for Poland – there are huge prospects for business expansion in Latin America.

### THE SIGNIFICANCE OF THE AGREEMENT

The value of trade in goods between the European Union and Mexico in 2025 stood at EUR 86.8 billion, whilst trade in services reached EUR 29.7 billion in 2024. Currently, the European Union is Mexico's third-largest trading partner and its second-largest export market in Latin America.

For Polish businesses, the new agreement could be of strategic importance. On the one hand, it allows for the diversification of exports and makes supply chains less dependent on geopolitical turmoil, including that between the US and Mexico or in Asian markets. On the other hand, it creates unprecedented opportunities for the Polish poultry and dairy sectors, as well as for manufacturers of machinery and automotive components, by removing historical tariff barriers.

According to Mexican forecasts, this agreement could increase exports from Mexico to the EU by more than half, reaching US\$36 billion by 2030.

### AN OPPORTUNITY FOR BUSINESS

The agreement provides, amongst other things, for:

- a) **the removal of customs duties** on a wide range of goods exported from the EU, which will drastically increase the profitability of exports for Polish SMEs and large companies;
- b) **the opening up of public procurement markets**, which will allow EU companies to compete on an equal footing for public contracts in Mexico, including at state level (in as many as **14 Mexican states**);
- c) **easier, duty-free access to critical raw materials** (including **fluorite, zinc, lead, copper and antimony**), whilst strictly prohibiting dual pricing;
- d) **liberalisation of trade in services**, including preferential access to Mexico's financial, digital, postal, telecommunications and maritime transport sectors;

- e) **a high level of protection for intellectual property rights** and protection for nearly **340 European geographical indications** (for wines and foodstuffs), including Polish vodkas – which safeguards premium products against unfair competition;
- f) **protection for foreign investors through the new Investment Court System (ICS).**

## KEY PROVISIONS

Under the agreement, Mexico has committed to reducing or completely abolishing previously unfavourable tariffs. This opens up an unprecedented window onto the Mexican market for the Polish agri-food sector:

- a) **poultry meat:** tariffs of **up to 100 per cent** will eventually be reduced to **0 per cent**. A duty-free tariff quota of **20,000 tonnes** for chicken legs has been negotiated;
- b) **pork:** the agreement removes customs duties, which had reached **up to 45 per cent**, and introduces a duty-free quota of **10,000 tonnes** for cuts that are key for Polish producers, such as **pork loin** and bacon;
- c) **milk powder:** the existing customs duties of **up to 50 per cent** will be abolished under a duty-free quota of **50,000 tonnes**;
- d) **blue-veined cheeses, pasta, chocolate and confectionery:** previously subject to rates of **over 20 per cent**, these will ultimately be subject to a preferential rate of **0 per cent**.

The agreement also provides for a reduction in audit requirements and technical certification requirements for product groups such as **machinery, transport equipment and medical devices**.

**All of this means that Mexico could become an attractive new destination for business expansion, and it is worth considering it as a new market for your goods and services.**

## LEGISLATIVE PROCEDURE

The legal framework of the new agreement concluded on 22 May 2026 is based on two complementary documents. To accelerate the benefits of trade liberalisation for business, an Interim Trade Agreement (iTA) has been established. It falls within the EU's exclusive competence and will enter into force first, requiring only **the consent of the European Parliament and a decision by the Council of the EU**. At the same time, the full Modernised Global Agreement (MGA) is to come into force; due to its mixed nature, this requires ratification by the national parliaments of all **27 EU Member States**, as well as approval by the Mexican Senate. This structure will enable the first tariff benefits for Polish exporters to take effect at the turn of 2026 and 2027, without having to wait for the lengthy ratification processes of the full MGA.

## AVOIDING DOUBLE TAXATION BETWEEN POLAND AND MEXICO

Currently, international taxation matters between Poland and Mexico are governed by the agreement of 30 November 1998 between the Government of the Republic of Poland and the Government of the United Mexican States for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, which has been amended in certain parts by the MLI Convention (hereinafter also referred to as the 'DTA').

The UPO applies to individuals, companies and entities subject to taxation under the tax laws of Poland or Mexico by virtue of their place of residence, place of permanent residence, place of management or other criteria of a similar nature.

Where an individual is resident in both Contracting States, their status is determined by:

- 1) permanent residence,
- 2) the centre of their vital interests,
- 3) the place where the person usually resides,
- 4) citizenship.

### **BASIC PRINCIPLES UNDER THE DTA WITH MEXICO**

With regard to the avoidance of double taxation, **the proportional credit method** applies; consequently, it is possible to deduct from an individual's personal tax payable in their country of residence the amount of tax paid in the source country, up to the amount of tax attributable to income or profits derived in that country.

Interestingly, the DTA also contains provisions allowing for the application of **the so-called exemption with progression method** in respect of income which, under the DTA, is exempt from taxation in Poland.

In accordance with the provisions of the DTA regarding *withholding tax (WHT)*, as a general rule:

1. income from a share in profits – it is possible to reduce the tax rate in the country of residence of the company paying the dividends to **15 per cent** if the person entitled to the dividends is resident or has its registered office in the other contracting state;
2. interest – the tax rate in the source country may be reduced to **15%** if the recipient is a person entitled to the interest;
3. royalties and fees for technical services – provision is made for the tax rate in the source country to be reduced to **10%** if the person entitled to the royalties or fees for technical services is resident or has its registered office in the other Contracting State;
4. the profits of an enterprise of a Contracting State are taxable only in the State of residence, unless the enterprise carries on business in the other State through a permanent establishment situated there.

In addition, the double taxation agreement provides that remuneration derived **from employment** by a person resident in one of the contracting states is taxable only in the place of residence where:

- the employee stays in the other country **for no more than 183 days** during a 12-month period beginning or ending in the relevant tax year;

- the remuneration is paid **by or on behalf of an employer** who is not resident or does not have a registered office in the other State, and
- the remuneration **is not borne by a permanent establishment or fixed base** which the employer maintains in the other State.

In the case of persons resident in Poland or Mexico who are **self-employed** or carry out other independent activities of a similar nature, the income may be taxed exclusively in the country of residence, unless the person:

- usually maintains a fixed base in the other country for the purpose of carrying out their activities;
- stays in the other country for a period of at least 183 days during any twelve-month period beginning or ending in a given tax year.

In the case of individuals receiving directors' remuneration (e.g. for membership of a board of directors), the DTA provides that such remuneration may be taxed in both countries (i.e. the proportional deduction method will apply).

Should you need to consult on the implications of working with entities in Mexico, whether as individuals or businesses, please do not hesitate to contact our advisers.

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