

# TAX TREATMENT OF STOCK OPTIONS

## MEXICO



	EMPLOYEE	EMPLOYER
<b>GRANT DATE</b>	No tax consequences.	No tax consequences.
<b>VESTING DATE</b>	No tax consequences.	No tax consequences.
<b>EXERCISE DATE</b>	Compensation income is recognized by the employee upon the exercise of stock options on the difference between the fair market value and the exercise price (spread).	The employer is subject to income reporting and employee tax withholding. If there is no recharge, there is no reporting requirement.
<b>WITHHOLDING &amp; PAYMENT OF TAX</b>	The taxable income is subject to income tax withholding.	If there is a recharge, the company is liable for income reporting and income tax withholding from the employee. If there is no recharge, then there are no reporting tax obligations for the employer.
<b>SOCIAL SECURITY</b>	There is an annual salary cap which means that any compensation paid to the employee beyond this amount would not trigger any additional Social Security Contributions for the employee.	There is an annual salary cap which means that any compensation paid to the employee beyond this amount would not trigger any additional Social Security Contributions for the employer.
<b>REPORTING</b>	If there is no recharge to the Mexican company, the employee must file an individual monthly income tax return. They should also report the income in the individual annual income tax return.	The Mexican company is liable for the income tax withholding and timely remittance to support the corporate deduction as salary. It is also necessary for the employer to issue an electronic official payroll receipt to support the corporate deductions salary. The compensation should also be reported on the Annual Informative return on salaries and issue to the employee a certificate of earnings and withholdings. If there is no recharge, then there are no reporting tax obligations for the employer.

For further information and to register for future updates contact:

[globalequity@bdo.com](mailto:globalequity@bdo.com)

Information contained herein is intended to reflect present law and provides only a general outline of the subjects covered. Material discussed herein is meant for general informational purposes only and should not be relied on as professional advice. As such you should consult your own tax advisor regarding your specific tax matters.

This summary has been prepared on the basis that employees are resident in Mexico throughout the period from grant of stock options until the shares are sold and that the employee is employed by a local employer in Mexico, which is a subsidiary of an overseas parent. The potential tax consequences may vary greatly depending on your company's equity plan's design, administration, as well as many other factors.

Should you have a need for a trusted advisor in this area, please contact BDO's Global Equity team.

**This information is current as of August 2016.**

[www.bdo.global](http://www.bdo.global)



# TAX TREATMENT OF STOCK OPTIONS

## MEXICO

	EMPLOYEE	EMPLOYER
<b>SALE OF SHARES</b>	The tax on the on the sale should be remitted and reported on the individual 's annual income tax return.	No tax consequences.
<b>IS A CORPORATION TAX DEDUCTION AVAILABLE?</b>	If there is a recharge, the Mexican company is liable for the income tax withholding and timely remittance to support the corporate deduction as salary. It is also necessary for the employer to issue an electronic official payroll receipt to support the corporate deduction as salary.	
<b>"QUALIFYING" PLANS AVAILABLE?</b>	Not applicable.	
<b>INTERNATIONALLY MOBILE EMPLOYEES</b>	<p>The above summary has been prepared on the basis that employees are resident in Mexico throughout the period from the grant of the stock option until the shares are sold.</p> <p>The rules for internationally mobile employees are complex and there are specific rules applicable to non-resident individuals. Generally, Mexico will have the right to tax the income if there is a link between the shares which the employee has received and the work of the employee performed in Mexico. Mexico broadly sources equity income based on the period between grant and vesting. It is highly recommended that advice is sought on an individual case by case basis.</p>	
<b>OTHER POINTS FOR CONSIDERATION</b>	<p>This summary is provided by BDO for informational purposes only to provide an outline of the general tax and social security position based on current tax law.</p> <p>There are also a number of legal and regulatory issues to consider on the implementation of any employee equity plan including, but not limited to, employee entitlement claims, exchange controls, securities restrictions, prospectus requirements and data protection regulations. We recommend that legal advice is obtained prior to the implementation of any employee equity plan.</p>	
<b>KEY ACTION POINTS</b>	<ul style="list-style-type: none"><li>✓ Compensation should be reported on the Annual Informative return on salaries and issue to the employee a certificate of earnings and withholdings by February of the following year.</li><li>✓ Employers are responsible for the withholding of tax and social security on the employee equity awards. Companies should review their systems to ensure that they are sufficiently robust to be able to capture, process and report stock option income through the payroll.</li><li>✓ There are specific rules applicable for Internationally Mobile Employees holding equity in Mexico. We recommend that Companies review their systems to ensure that Internationally Mobile Employees moving in or out of Mexico whilst holding equity can be identified to ensure correct compliance and identify any potential trailing liabilities.</li><li>✓ Although there are no comprehensive data privacy laws, there are federal laws that regulate the collection, processing, and transfer of data in certain contexts. Generally, there are no data privacy requirements in connection with the administration of stock options. Nevertheless, obtaining written consent is a highly recommended practice.</li></ul>	

© Brussels Worldwide Services BVBA 2016

Service provision within the international BDO network of independent member firms ('the BDO network') is coordinated by Brussels Worldwide Services BVBA, a limited liability company incorporated in Belgium. Each of BDO International Limited (the governing entity of the BDO network), Brussels Worldwide Services BVBA and the member firms is a separate legal entity and has no liability for another such entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BVBA and/or the member firms of the BDO network.

BDO is the brand name for the BDO network and for each of the BDO member firms.

AUGUST 2016