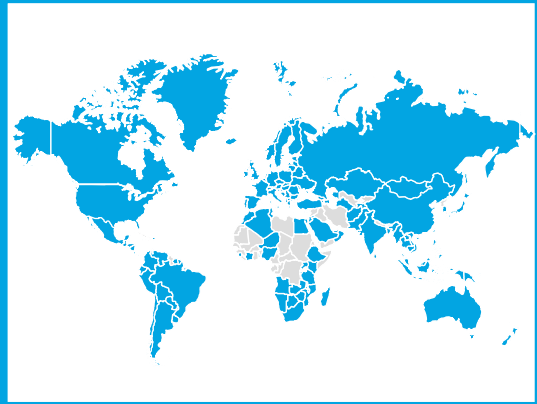


# INPATRIATES

## Mexico

### Tax facts for international assignees



#### INCOME TAX: WHO IS LIABLE/RESIDENCY

An individual is considered as resident of Mexico when he/she establishes a home in Mexico. If an individual has a home in another country, then he/she will be considered as resident of Mexico if they have their *center of vital interests* in Mexico. For this purpose, the *center of vital interests* would be deemed in Mexico if one of the following conditions are met:

- more than 50% of his/her total income earned in a calendar year will be Mexican-sourced or;
- he/she has their main center of professional activities in Mexico.

A resident of Mexico must file a Mexican income tax return on an annual basis reporting their worldwide income. The tax return should be filed during April of the following year. Mexico allows a foreign tax credit for taxes paid abroad (with certain limits). For this purpose, a Mexican Tax ID should be obtained as well as an electronic password (FIEL).

Certain personal deductions are allowed against taxable income. Deductions for medical expenses, charitable contributions, mortgage, medical insurance premiums, among others, can be claimed if disbursed in Mexico and rendered for a Mexican entity. Personal deductions are limited to the lesser of \$158,469 Pesos or 15% of the total income for the year.

A non-resident of Mexico is only taxable in Mexico on Mexican-sourced income earned in a twelve-month period and must file individual monthly income tax returns no later than the 17th day of the following month. The non-resident tax is considered as final and there are no obligation to file an annual Mexican income tax return.

Mexican-sourced income includes income from a permanent establishment in Mexico and salaries paid for work performed in Mexico.

The non-resident tax can optionally be filed through one of the following options:

- the Mexican company for which the services are being rendered.
- the registration of the foreign company as a withholding agent.
- the appointment of a legal representative in Mexico.

#### REGISTRATION/FORMALITIES

Both, residents and non-residents should have a work permit to legally render his/her services in Mexico.

Residents of Mexico should be registered with the Mexican tax authorities to obtain a Mexican Tax ID number and electronic password (FIEL). In order to be registered, the taxpayer should have a work permit and a proof of tax domicile in Mexico (such as telephone bill).

The official website of the Mexican Tax authorities is [www.sat.gob.mx](http://www.sat.gob.mx). Taxpayers can log in and, with the use of the Tax ID and the FIEL, they will be able to file their Mexican annual income tax return and verify in their file cabinet if there is any requirement from the Mexican Tax authorities.

Upon departure, the taxpayers should file a *suspension of activities* notice through the Mexican tax authorities website.

As mentioned before, non-residents of Mexico do not need a Mexican tax ID number.

## INCOME TAX RATES

### Resident Rates (In Pesos)

Lower Limit	Upper Limit	Fixed Quote	Tax Rate
0	5,953	0	1.92%
6,492	50,525	114	6.40%
58,922	103,550	3,460	10.88%
103,550	120,373	8,316	16.00%
120,373	144,119	11,007	17.92%
144,119	290,668	15,262	21.36%
290,668	458,132	46,565	23.52%
458,132	874,132	85,953	30.00%
874,650	1,166,200	210,908	32.00%
1,166,200	3,498,600	304,204	34.00%
	over 3,498,600	1,097,220	35.00%

### Non-Resident Rates (In Pesos)

Lower Limit	Upper Limit	Tax Rate	Lower Limit
0	125,900	0.00%	0
125,900	1,000,000	15.00%	125,900
	over 1,000,000	30.00%	over 1,000,000

## SOCIAL TAX RATES

For 2020, the maximum taxable earnings amount for Social Security taxes is \$792,780 Pesos per year. There are mandatory social security contributions for both the employer and the employee. The maximum employer and employee contributions per year amounts to \$135,520 and \$21,619 Pesos respectively.

In theory, all individuals who perform a service in Mexico should be liable for Social Security contributions as well as the benefits of Medicare and pension plans. However, since the contribution is mandatory for the employer and the employee, the taxpayer should be enrolled in a Mexican payroll. The subordinated relationship can be supported by a local employment contract or through the implementation of a mirror payroll mechanism.

When the taxpayer is being paid by the foreign entity, in practice, there is no mechanism to file Social Security contributions as there is no registration process as employer for a foreign employer.

Additionally, where Mexico has entered into a Totalization Agreement with a country, an Individual who remains employed by a company from that country may be exempt from Mexican social taxes as well. In order to utilize this exemption, the company and individual should obtain a Certificate of Coverage from the home country. It is important to mention that Mexico has agreements with Canada and Spain only.

For further information and to register for future updates contact [expat@bdo.global](mailto:expat@bdo.global)

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