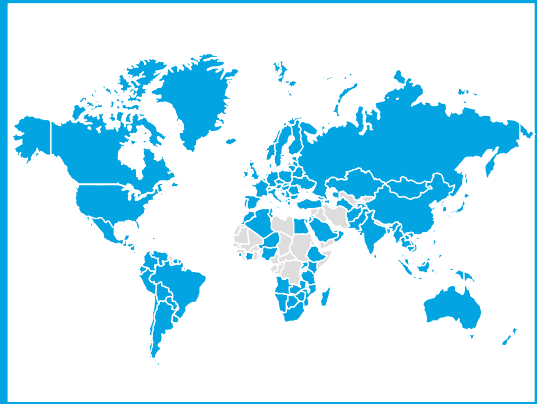


EXPATRIATES

Mexico

Tax facts for international assignees



INCOME TAX: WHO IS LIABLE

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 which should be filed during April of the following year. Mexico allows a foreign tax credit for taxes paid abroad (with certain limits).

On the other hand, a non-resident of Mexico is only taxable 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 is 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.

Income from the sale of real state property in Mexico, dividends, royalties, and similar income paid from Mexican payees/corporations are also considered as Mexican-sourced income.

An individual is no longer considered to be a resident of Mexico when the following two tests are met:

- he/she moves his/her home to another country
- he/she breaks factual ties with Mexico (i.e. permanent home, social & economic ties, etc.).

Furthermore, in the case of Mexican Nationals, the Mexican Federal Tax code Article 9 states that *a Mexican national is considered to be deemed a resident of Mexico when he/she move their home to a Tax Haven country*, which means a country where the income tax rate is less than 22.5%. This rule will be applicable in the year of departure and the following three years. There is an exception when the Tax Haven country has entered into an exchange of information agreement with the Mexican Government.

BREAKING RESIDENCY - EXIT PROCEDURES

Upon breaking Mexican tax residency, taxpayers should file a suspension of activities notice through the Mexican tax authorities website using their Mexican Tax ID number and the password (FIEL).

If, after departure, they earned Mexican-sourced income such as rental income, the lessee would withhold and remit the Mexican income tax to the Mexican tax authorities. In other case, the tax may be filed through the appointment of a legal representative in Mexico.

INCOME TAX RATES

Resident Rates (In Pesos)

Lower Limit	Upper Limit	Fixed Quote	Tax Rate
0	6,492	0	1.92%
6,492	58,922	133	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 Tax 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

Dividends received from Mexican corporations receive preferential treatment. They are subject to a gross-up and dividend tax credit mechanism, which is designed to provide taxpayers with a credit for Mexican tax already paid by the paying corporation.

Effective January 2014 there is an additional 10% withholding tax on dividends, which is considered as final payment.

In the case of sale of property after departure, the notary public is responsible to calculate the income tax due on the gain and is also obligated to withhold and file the tax on behalf of the non-resident individual.

SOCIAL TAX RATES

While working in Mexico, individuals must contribute to the Mexican Social Security.

However, if an employee is being transferred to a foreign company, no social security contributions should be filed. Nevertheless, it is common practice to keep filing employer and employee contributions during assignment. This practice protects the employee's pension plan benefits regardless of his/her foreign assignment.

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

For further information and to register for future updates contact expat@bdo.global

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