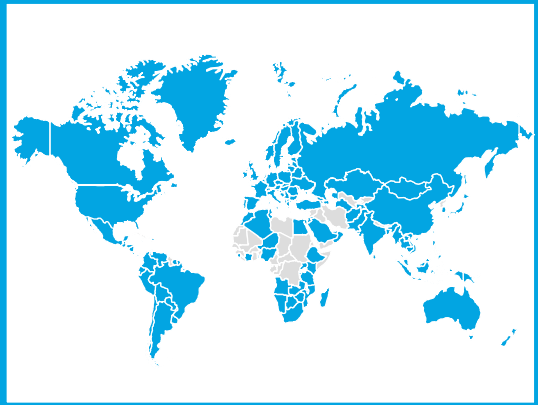


EXPATRIATES

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 interest in Mexico. For this purpose, the center of vital interest would be deemed in Mexico, if one of the following conditions are met:

- When more than 50% of his/her total income earned, in a calendar year, will be Mexican source or;
- When Mexico is the individual's main location for their professional activities.

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-source 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-source income includes income from a permanent establishment in Mexico and salaries paid for work performed in Mexico. Income from the sale of real estate property in Mexico, dividends, royalties, and similar income paid from Mexican payees/corporations are also considered as Mexican source income.

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

- If and when he/she moves his/her home to another country; and
- If and when 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 as 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 five years. There is an exception when the Tax Haven country has entered into an exchange of information agreement with the Mexican Government and, in addition, an international treaty that affords mutual administrative assistance in notifying, raising and collecting taxes.

BREAKING RESIDENCY - EXIT PROCEDURES

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

If after departure, they earned Mexican source 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 (Pesos)

Lower Limit	Upper Limit	Fixed Quote	Tax Rate
0	7,735	0	1.92%
7,735.01	65,651.07	148.51	6.40%
65,651.08	115,375.90	3,855.14	10.88%
115,375.91	134,119.41	9,265.20	16.00%
134,119.42	160,577.65	12,264.16	17.92%
160,577.66	323,862.00	17,005.47	21.36%
323,862.01	510,451.00	51,883.01	23.52%
510,451.01	974,535.03	95,768.74	30.00%
974,535.04	1,299,380.04	234,993.95	32.00%
1,299,380.05	3,898,140.12	338,944.34	34.00%
	Over 3,898,140.13	1,222,522.76	35.00%

Non-Resident Rates (Pesos)

Lower Limit	Upper Limit	Tax Rate	Lower Limit
0	125,900	0.00%	0
125,900	1,000,000	15.00%	6,492
	over 1,000,000	30.00%	58,922

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 2022, the maximum taxable earnings amount for Social Security taxes is \$768,145 pesos per year. There are mandatory social security contributions for the employer and the employee. The maximum employer and employee contributions per year amounts to \$139,466 and \$22,495 pesos, respectively.

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

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