



TAXES IN AMERICA

2024

6th EDITION

24, Rue de Londres - 75009 Paris - France
Tel: +33 (0) 1 44 15 95 23 - www.euraudit.org

Mexico




 **Capital city:**
Mexico city


 **Aera:**
1,972,550 km²

 **Population:**
128,927,016

 **Language:**
Spanish

 **Political system:**
Federative
presidential
republic

 **GDP/capita
2023:**
USD 22,298

 **Currency:**
Mexican Peso
(MXN)

 **ISO Code:**
MEX

 **Telephone code:**
+52

 **National day:**
16 September

Introduction

For the year 2024 no relevant tax reforms were implemented in Mexico, so essentially the same regulations remain applicable:

- In April 2024, a change to use a new version of the consignment note complement will come into operation. In foreign trade operations, the bill of lading complement will be required as of January 2024.
- The ISR detention rate on interest is increased from 0.15% to 0.5%.
- The IEPS rate for magna, premium and diesel gasoline was increased 4.3%, the IEPS went from MXN 5.92 in 2023 to MXN 6.18 per liter for 2024.
- The IEPS on soft drinks, cigarettes and alcoholic beverages was increased 4.32% due to inflation.

Taxes

In Mexico the following are the main Federal taxes:

- **Income Tax, (ISR)** which taxes the profit, gain or difference between income and authorized deductions. The general rate for corporations is 30% and the rate for individuals ranges from 2% to 35%.
- **Value Added Tax, (IVA)** which taxes consumption. The general rate is 16%, with some exceptions and in some municipalities of the northern border region the rate is 8%.
- **Special Tax on Production and Services (IEPS)** which taxes the sale of certain goods and services such as the sale of alcoholic beverages, sugared beverages, tobacco, fuels, non-basic foods, among others.

Contributions of Social security

They are represented by contributions from workers and employers so that the State can provide medical, day care, housing, pension and retirement services.

Social security contributions are paid to the following government agencies: Instituto Mexicano del Seguro Social IMSS (Mexican Social Security Institute) and Instituto del Fondo de Vivienda para los Trabajadores INFONAVIT (Workers' Housing Fund Institute).

1. Taxes to individuals

1.1 Residents in Mexico

Individuals who have established their home in Mexico are considered residents of Mexico. When individuals also have a dwelling in another country, they will be considered residents of Mexico, if their center of vital interests is located in national territory. For these purposes, it will be considered that the center of vital interests is in national territory when, among other cases, they are located in any of the following cases:

- When more than 50% of the total income earned by the individual in the calendar year has a source of wealth in Mexico.
- When the main center of their professional activities is in Mexico.

1.2 Non-residents in Mexico

All Mexican and foreign individuals who are not located in the previous point are considered non-residents in Mexico.

1.3 Classification of income

Los ingresos se clasifican de la siguiente forma y cada uno representa un régimen fiscal con el cual se deben cumplir con las obligaciones fiscales:

- **Wages and in general for a subordinate personal service.** Applicable when income is obtained from an employment relationship.
- **Business activities.** When commercial, industrial, agricultural, livestock, fishing or forestry activities are carried out.
- **Professional activities.** It is considered an independent personal service and is not considered a business activity.
- **Lease.** For granting the temporary use or enjoyment of real estate.
- **Alienation of assets.** Any sale or transfer of assets, shares or corporate shares, including those made through trusts, awards in favor of the creditor, among others, are considered as income from the sale or transfer of assets.
- **Acquisition of goods.** Donation, treasures, acquisition by prescription, the difference between the appraisal value and the disposal value, when the former exceeds the latter by more than 10%, constructions, installations or improvements that pass to the benefit of the owner are considered.

- **Interest.** Interest is considered, whatever the name assigned to returns of credits of any kind.
- **Awards.** Revenues for obtaining prizes are derived from the celebration of lotteries, raffles, games with bets and contests of all kinds, legally authorized.
- **Dividends and in general for the profits distributed by corporations.** Those derived from the profits or income obtained from the participation in the capital of other companies.
- **New Simplified Reliance Regime.** It is applicable as of 2022 and is optional for individuals whose annual income as a whole (including salaries and interest) does not exceed MXN 3,500,000 (approximately USD 170,700).

Income tax is calculated by applying a rate ranging from 1% to a maximum of 2.5% on income collected without deduction, this tax regime is only applicable to individuals who obtain income from business activities, professional activities and leasing.

They cannot be taxed under this regime if the individual is a partner of a legal entity, receives similar fees as a board member, commissioner, administrator or manager, as well as residents abroad with a Permanent Establishment.

1.4 Fees, withholdings, subsidies and exemptions

In Mexico, the **ISR** of individuals is calculated annually by the total income earned based on a progressive rate ranging from 1.92% to 35% depending on the income or taxable income (as applicable according to the tax regime) earned in the fiscal year. During the fiscal year and depending on the type of income in question, there may be an obligation to make provisional payments on account of the annual tax.

The following table shows the progression of the ISR caused by various annual amounts, such table is applied on the taxable income (salaries, interests and dividends) and on the taxable profit (business and professional activity).

Income	ISR	Rate (%)
7,317	806	11.01
14,634	2,379	16.25
29,268	6,269	21.42
87,805	25,351	28.87
175,610	55,254	31.46
351,220	116,718	33.23

Note: the figures are presented in US dollars calculated at an exchange rate of 20.50 pesos/USD.

In the case of the new RESICO Simplified Reliance Regime, the following table is applied on gross income without deduction.

Amount of income	Rate (%)
14,634	1
29,268	1.1
48,780	1.5
121,951	2
170,732	2.5

Note: the figures are presented in US dollars calculated at an exchange rate of 20.50 pesos/USD.

- Persons who obtain income from **business or professional activities or from the lease of real estate** are required to make monthly interim payments calculated in accordance with the progressive rate mentioned above, taking as the taxable base the taxable income resulting from subtracting from the income obtained the expenses and costs deductible in accordance with the law.

1.5 Deductions

Individuals who receive income from the performance of business or professional activities may deduct, depending on the line of business or activity performed, the expenses that are necessary for the performance of their main activity.

Persons with income from the lease of real estate have the option to deduct 35% of their income without the need to prove or deduct the following items:

- Property tax, local contributions and, if applicable, the local tax for leasing;
- Maintenance expenses related to the leased property;
- Salaries, fees and collateral expenses related to this activity;
- Insurance premiums covering the respective assets;
- Investments in construction, including additions and improvements.

Persons earning income from the alienation of assets may deduct, as the case may be, the cost of the asset alienated, the investment in construction, notary expenses, taxes, duties, appraisals and commissions, as well as losses incurred in similar transactions in previous years, in the case of the sale of shares or equity interests.

Persons who obtain income from the sale of shares in the stock exchange will be taxed with ISR, which payment will be considered as definitive, applying the rate of 10% to the profits obtained.

Individuals with income from the acquisition of goods will pay, as a provisional payment on account of the annual tax, the amount resulting from applying the 20% rate to the income received, without any deduction, and may make the following deductions in their annual tax return:

- Payment of local and federal contributions, with the exception of ISR;
- Notary fees related to the acquisition;
- Expenses incurred in connection with lawsuits in which the right to acquire is recognized;
- Appraisals;
- Commissions paid by the purchaser.

People earning income from Interests, must accumulate them to their other income discounting the inflationary effects.

Persons earning income from Prizes are subject to definitive withholdings that can range from 1% to 21%. The benefits obtained will not be accumulated to the other income as long as they are included in the annual tax return of the person who receives them.

People receiving dividends must accrue them to their other income and may credit the income tax paid by the company that distributed the dividends. However, individuals will be subject to a 10% withholding on dividends paid by corporations' resident in Mexico, such withholding will be considered as a definitive payment.

1.6 Personal deductions

In addition to the deductions described in each of the above items, individuals may deduct the following expenses in their annual tax return: medical expenses, funeral expenses, major medical insurance policies, real interest paid on mortgage loans, donations, school fees and school transportation; each of the above items has conditions and maximum limits.

2. Taxes to corporations

2.1 Residents in Mexico

Legal entities that have established in Mexico the main administration of their business or their headquarters of effective management.

2.2 Non-residents in Mexico

Non - residents in Mexico are considered to be those legal entities that are not comprised in the previous item.

2.3 Permanent establishment

A permanent establishment is considered any place of business in which business activities are carried out, either partially or totally, or independent personal services are provided. It is understood as a permanent establishment, among others, branches, agencies, offices, factories, workshops, facilities, mines, quarries or any place of exploration, extraction, or exploitation of natural resources.

However, when a resident abroad acts in Mexico through an individual or legal entity, other than an independent agent, the resident abroad will be considered to have a permanent establishment in Mexico, in relation to all activities that said individual, or corporation performs for the resident abroad.

Income attributable to a permanent establishment in Mexico arising from the from the business activity carried out or income from fees and, in general, from the provision of an independent personal services, as well as that derived from alienations of goods or real estate in Mexican territory, shall be considered as income attributable to a permanent establishment , made by the central office of the person, by another establishment of this or directly by the resident abroad, as the case may be, and income tax must be paid on such income.

2.4 Taxable income calculation

- **Taxable income** will be determined by deducting authorized deductions and employee profit sharing paid in the same year from the total taxable income obtained in the year; the result will be reduced, if applicable, by the tax losses pending application from previous years.
- Entities will consider as **cumulative income** all income obtained in cash, goods, services, credit or of any other type during the year, including income from their establishments abroad and income determined by the inflationary effect.

- Legal entities resident abroad, as well as any entity considered as a legal entity for tax purposes in their country, that have one or more permanent establishments in the country, will accumulate all the income attributable to them.
- Legal entities resident in Mexico will consider as **authorized deductions**, depending on the line of business or activity carried out, all expenditures that are necessary for the accomplishment of their corporate purposes, provided that they comply with the requirements established by the Mexican tax authorities.

In the case of legal entities resident abroad, as well as any entity that is considered as a legal entity for tax purposes in their country, that have one or more permanent establishments in Mexico, they may make the deductions that correspond to the activities of the permanent establishment, whether they are incurred in Mexico or elsewhere, provided that they comply with the requirements established by the Mexican tax authorities.

When the persons referred to in the preceding paragraph reside in a country with which Mexico has in force a treaty to avoid double taxation and a comprehensive information exchange agreement, the expenses that are apportioned with the head office or its establishments may be deducted, provided that the requirements established by the tax authorities are complied with.

2.5 Rate

ISR will be calculated at 30% of the taxable income obtained and will be paid through a tax return to be filed no later than March 31 of the following year in which the fiscal year ends.

2.6 Dividends

Entities may distribute their profits in accordance with the following:

- When such dividends come from the net tax profit account (CUFIN) they will be considered to have already paid ISR.

This account (CUFIN) will be added with the net tax profit of each year, as well as with the dividends or profits received from other legal entities resident in Mexico and will be reduced with the amount of dividends or profits paid, with the profits distributed, when in both cases they come from the balance of such account. To determine the net tax profit, the income tax incurred in the year, the Employees' Statutory Profit Sharing (PTU) and the non-deductible expenses, if any, must be deducted.

- When the dividends distributed do not come from the CUFIN, a tax rate of 42.86% will be applied on the net dividend paid.

In both cases, when the distributed dividend is paid to an individual resident in Mexico or an individual or legal entity resident abroad, a 10% tax withholding is required.

2.7 Tax returns and payments

Entities are required to file the following tax returns:

- **Monthly**

Provisional monthly payments on account of the annual income tax, no later than the 17th day of the month following the month to which the obligation corresponds. In the event that a tax liability is determined, the payment must be made via Internet from the taxpayer's banking portal.

- **Annual**

The corporate entities must file their annual return no later than 31 March of the following year, deducting the provisional payments made during the year.

2.8 Simplified Reliance Regime for Legal Entities

The RESICO Simplified Reliance Regime, applicable as of 2022 is mandatory for legal entities that have an income of less than MXN 35,000,000 (approximately USD 1,700,000) and whose partners are only individuals and that such partners do not participate in the capital of other companies (among other assumptions), having the benefit of paying ISR on the taxable income determined on a cash flow basis, the tax rate is 30%.

3. Value-added tax

3.1 Overview

Value Added Tax (VAT) is a tax on consumption that is levied at the time of collection of the consideration, payment in kind of goods or services is received or when the creditor's interest is satisfied through some form of extinction of the obligations.

VAT is generated by transactions carried out in Mexico regardless of the residence of the persons entering into the transaction; the activities subject to this tax are the following :

1. Alienation (sale-transfer) of goods.
2. Provision of services
3. Temporary use or enjoyment of goods
4. Importation of goods or services

VAT transfer is the charge made by the seller of goods or services to the customer for VAT, i.e., the additional 16% VAT that the seller charges to the customer for the agreed consideration. For example: if "company X" invoices the sale of a computer to "customer Y" for MXN 10,000, the tax that company X charges to the customer, i.e., MXN 1,600 VAT, is called VAT transfer, and **this VAT is called transferred VAT charged.**

In the opposite sense to the previous paragraph, for example, when "company X" pays the telephone service for MXN 3,000, the telephone supplier, in turn, charges a 16% VAT of MXN 480; **this VAT is called creditable VAT paid.**

3.2 Tax payable or creditable VAT

To the tax authorities, taxpayers will pay monthly the difference between **(A) VAT charged** minus **(B) creditable VAT paid.**

If $A > B$, then there is VAT payable.

If $A < B$, then there is VAT creditable.

The VAT in favor can be recovered against the VAT payable in future months, or a refund can be requested from the tax authorities. In the case of taxpayers who are in a preoperative period, the request must be made no later than the month following the month to which the VAT credit corresponds; otherwise, the request for the VAT credit must be made until the date on which the taxpayer completes its preoperative period. Once the taxpayer finishes its preoperative period, the request for the VAT credit may be made at any time without the term exceeding five years from the date to which the tax credit corresponds.

3.3 Rates

The general VAT rate is 16%, and in some municipalities of the northern border region RFN the rate of 8% is applied likewise there are some exemptions for VAT and the application of the 0% rate for some goods and services such as:

1. Food, grains, and medicines
2. Water and ice
3. Fertilizers, pesticides, herbicides, and fungicides.
4. Exports of goods and some services
5. Services provided to farmers, ranchers, grain milling, and grain processing.
6. Educational and medical services
7. Leasing and sale of housing
8. Among others

3.4 Tax returns and payments

VAT must be declared every month no later than the 17th of the following month. If a tax liability is determined, the payment must be made via the internet from the banking portal.

3.5 VAT Withholdings

The following VAT withholdings must be made by corporations to individuals when paying the following items, in which case the corporation will withhold the indicated VAT percentage:

Payment type	Who withholds	To whom it withholds	Tasa (%)
Fees, leasing, and commissions	Legal Entity	Individuals	2/3 of VAT
Freight and transportation of goods	Legal Entity	Individuals and Legal Entities	4
Acquisition of waste	Legal Entity	Individual and Legal Entity	16
Sales on digital platforms	Legal Entity	Individual	8 to 16

3.6 VAT on Digital Platforms

As of June 2020, there is a new regime called "Digital Platforms" to tax in some way companies that, without being residents in Mexico or without having a permanent establishment (a type of physical presence), carry out operations in the country for which they obtain income.

Those digital services that are provided through applications or content in digital format through the Internet or other network, mainly automated and may or may not require minimal human intervention, are taxed, provided that for the mentioned services a consideration is charged, and the following are subject to VAT:

Activity	Examples
<p>Downloading or accessing images, movies, text, information, video, audio, music, games, including games of hazard, as well as other multimedia content, multiplayer environments, obtaining cell phone ringtones, viewing online news, traffic information, weather forecasts, and statistics.</p> <p>It shall not apply to downloading or accessing electronic books, newspapers, and magazines.</p>	<p>Netflix, YouTube, Spotify, Pandora, X-Box, B-win, Second Life, Weather Channel. See considerations in later sections.</p>
<p>Those of intermediation between third parties that are suppliers of goods or services and the demanders of the same.</p> <p>Not applicable to used movable goods.</p>	<p>Amazon, E-bay, Ali-baba, Uber, Airbnb.</p>
<p>Online clubs and dating sites.</p>	<p>Match.com, Tinder</p>
<p>Distance learning or test or exercises.</p>	<p>Lumosity</p>

Companies that sell any of the aforementioned products or services through Digital Platforms must register in the Federal Taxpayers' Registry, collect VAT on their sales in Mexico, pay the tax to the authority, designate a legal representative, and tax domicile in Mexico and file informative declarations.

4. Tax reforms 2024

The fiscal changes from the year 2023 to the year 2024 are not substantial, since there is no addition of new taxes, increase of the current rates, or amendments to the current Tax Laws. However, the updates of some points are mentioned below:

1. The issuance of the Carta Porte complement version 3.0 is mandatory and must be used as of September 25, 2023; however, according to the seventh transitory provision of the miscellaneous tax resolution of 2024, there is a coexistence period with version 2.0 of the complement, until March 31, 2024.
2. The income tax withholding rate is increased from 0.15% to 0.5% on interest paid by financial institutions.

This increase was published in the federal income law for fiscal year 2024 on November 13, 2023 and will be effective as of January 1, 2024.

3. The STPS tax on magna, premium and diesel gasoline increased 4.32%.

	2024	2023
gasoline less than 91 octanes (magna)	6.17	5.92 pesos per liter
gasoline greater than or equal to 91 octane (premium)	5.21	4.99 pesos per liter
Diesel	6.78	6.5 pesos per liter

4. The IEPS on soft drinks, cigarettes and alcoholic beverages is increased by 4.32% and is updated according to the inflation rate registered from November 2022 to November 2023.
5. Entities that were taxed under the Simplified Liability Regime RESICO in 2023, must check that they have not exceeded the threshold of \$35,000,000 (1,842,105 USD approximately) of income in the year. Otherwise, they will begin to be taxed under the General Regime.

5. Social security contributions

The purpose of social security is to guarantee the right to health, medical assistance, protection of the means of subsistence and social services, and the granting of a pension that, if applicable and subject to compliance with legal requirements, will be guaranteed by the State.

Social security contributions are considered "tripartite", meaning they come from contributions made by the employers, the state, and the workers themselves.

The contributions paid to the Mexican Social Security Institute (IMSS) are divided into five insurance branches: diseases and maternity; work risks; disability and life; retirement, unemployment in old age and old age; nurseries and social benefits. Additionally, contributions to the Institute of the National Housing Fund for Workers (INFONAVIT) can be considered in this chapter.

For the calculation of social security and housing contributions, the integrated daily salary is used as the basis, however, the maximum base salary for the payment of such contributions will be the equivalent of 25 times the UMA (Unidad de Medida y Actualización) as of February 2024, the maximum base salary is equal to MXN 2.714.,25 (approximately USD 143).

Below is a table of percentages of social security contributions:

	Employer dues (%)	Worker fees (%)
Illness and maternity		
Benefits in kind		
Fixed fee	20.4	
Additional fee	1.1	0.4
Cash benefits	0.7	0.25
Benefits in kind from pensioners and their beneficiaries	1.05	0.375
Occupational risk	determined on the basis of the accident rate	
Disability and life	1.75	0.625
Nursery and social benefits	1	
retirement	2	
Unemployment and Old age	3.15-5.331	1.125
Infonavit	5	

6. Employees' Statutory Profit Sharing (PTU).

In Mexico, there is an obligation to calculate the Employees' Statutory Profit Sharing (PTU), which is not a tax but a benefit required by labor law, and which results from applying 10% of the taxable profit, and such PTU must be paid to the employees in May of the following year.

For 2021 there was a labor reform that set as a limit three months of salary as PTU to be received by the employee or the average PTU paid to each employee for the last three years (whichever is higher).

PTU is not paid for the first year of operation of the employer, whether the employer is an individual or a legal entity, and directors, administrators, and general managers are not entitled to the distribution.

Saida Salmi

Contact

MASSAT Y GARCÍA
CONSULTING SERVICIOS S.C. Oxford
30, Colonia Juárez
Alcaldía Cuauhtémoc
06600
www.mgcs.mx
+52 55 5080 8300
ogarcia@mgcs.ws
Oscar García Wigueras Hernando

SPC CONTADORES Y ABOGADOS, S.C.
Av. Colonia de Valle # 528-303
Colonia de Valle
Delegación Benito Juárez
03100
www.spcca.com.mx
+52 55 5543 1588/8590 8253/ 8590
8254
arturo.sam.m@spcca.com.mx
Arturo Sam Jr.