





## Special Aspects of Taxation México – Sergio Guerrero

## General Highlights

- **Currency:** Mexican Peso (MXN)
- **No restrictions are imposed on the import and export of capital.**
- **Residents and nonresidents can hold bank accounts in any currency in any part of the world.**
- **For accounts located in Mexico but kept in a foreign currency, such currency must be the U.S. dollar.**
- **Corporate Taxation:**

<p><b>Basis:</b></p> <p>Residents are taxed on worldwide income; nonresidents are taxed on Mexican-source income.</p> <p>Foreign-source income derived by residents is subject to tax the same way as Mexican-source income. Branches are taxed the same as subsidiaries.</p>	<p><b>Residence:</b></p> <p>An entity is resident if it is managed and controlled in Mexico.</p>
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2nd Quarter 2001 3rd Quarter 2000 2nd Quarter 2001 Nine Months 2001 Nine Months 2000

Revenues 343,641 459,138 450,785 1,322,498 1,183,706\*

Expenses 43,018 55,457 47,879 146,918 166,224\*

After-Tax Profit/11.6% 405 2,316 1,932 4,927 11,362\*

After-Tax Annualized Return on Capital 1.3% 7.3% 5.0% 4.5% 11.1%

Assets\*\* 2,680,452 2,342,225 2,680,452 2,680,452 2,342,225

Capital & Subordinations 150,319\* 139,721 146,179 150,319\* 139,721

Commission Revenues 6,092 7,415 6,668 25,219 25,868\*

Number of Firms Reporting 551 275 258 333 344



## Corporate Taxation

- Taxable income:**  
Corporate tax is imposed on a company's profits

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  - \* Business/trading income
  - \* Passive income
  - \* Capital gains

Normal business expenses may be deducted.
- Alternative minimum tax:**  
Flat Tax (IETU) profits determined by reducing the major part of revenues with most expenses and costs. Tax rate for 2008 is 16.5%. Works under a cash flow method.
- Taxation of dividends:**  
Dividends received by a Mexican resident company from another Mexican entity are exempt from corporate tax. If received from a foreign company are subject to corporate tax.
- Losses:**  
a 10-year carryforward is allowed, subject to applicable inflation adjustments.
- Rate:**  
28% rate is applicable to business profits in general.

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## Other taxes on corporations

- Payroll tax:**  
Apply at the state level.
- Social security:**  
Employer contributions of social security, housing, and retirement are mandatory. Rates varying from 15% to 25%, depending on the salary structure.
- Real property tax:**  
Municipal authorities levy "rates" on the occupation of real property. Rates are deductible in calculating corporation tax liability.
- Mandatory profit sharing rules:**  
An entity is obliged to actually distribute 10% of the tax profits among its employees no later than May of the year following that in which the profits were generated.






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## Value Added Tax

- **Taxable transactions:** VAT is levied on the sales of goods, leasing and provision of services, as well as on imports.
- **Registration:** All persons have to be registered before the Ministry to be able to credit the VAT paid to vendors or suppliers or at the border. Nonresidents that make taxable supplies of goods or services in Mexico must register.

Rate	Example
0%	Food, medicine & books
10%	At the border
15%	Not at the border

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## Personal Taxation

- **Basis:** Mexican nationals are taxed on their worldwide income. Nonresidents are taxed on Mexican-source income and gains derived from interest, capital gains, royalties, etc.
- **Residence:** individuals are considered resident if they have a permanent home in México. If an individual has a home in two countries, the key factor is the location of their center of vital interests.
- **Taxable income:** Income is taxed under schedular system.
- **Capital gains:** are generally taxed as income, except an individual's sale of publicly traded securities or transfer of personal property are exempt.
- **Deductions and allowances:** deductions are granted for medical expenses and insurance, retirement annuities, mortgage interest, etc. Personal allowances are available to the taxpayer and his/her spouse, children and dependents.
- **Rates:** Rates are progressive to 28%.

