

Doing Business in Mexico

The 2026 guide

Audit • Tax • Advisory • Accounting • Legal

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This document provides an overview of the key considerations for foreign companies looking to establish a business in Mexico. While it does not delve into every detail or procedure, it serves as a general guide to understanding the business environment and essential aspects of the investment process.

We aim to provide reliable, up-to-date information; however, we encourage you to treat this document as an introductory resource.

For detailed and personalized advice, we recommend [contacting a representative at CLA Mexico](#) who can guide you through the complexities of doing business in Mexico.

About CLA Mexico and CLA Global

CLA Mexico is a professional services firm providing audit, tax, advisory, accounting, and legal services. We work closely with ambitious owners and leaders in the moments that matter.

We provide personalized support with an entrepreneurial spirit—to help dynamic organizations seize opportunity.

CLA Mexico is a member of CLA Global, a professional services network designed to help realize the ambitions of dynamic organizations with cross-border needs.

CLA Global is a select international network built on trust, collaboration, and care—qualities that shape how member firms support their clients, teams, and one another around the world.

Through our CLA Global membership, we blend our understanding of the Mexican business landscape with the experience and perspectives of professionals across international markets. This connected approach enables our clients to address cross-border challenges, coordinate their operations effectively, and make informed decisions as their businesses grow.

Whether you are establishing a business in Mexico or expanding your existing operations, our team works closely with you to understand your objectives and bring together the right experience for each stage of the process. **We're right there with you** as you move from opportunity to action.

Document Update

The information contained in this document is accurate as of **December 2025**. Given the dynamic nature of regulations and market conditions in Mexico, we strongly recommend **consulting with a local expert** to validate the details before making business decisions. This step is crucial to ensure you work with the most current and relevant information.

Mexico's profile

Mexico is one of the most dynamic and strategically located countries, offering many opportunities for foreign investors. Its economic potential, diverse geography, skilled workforce, and proximity to key global markets make it a prime destination for businesses looking to establish a presence in North America.

Key Economic Indicators

Inflation (INEGI) 3.6%	Average Exchange Rate MXN 18.80 (avg. MXN vs USD)
Average Unemployment Rate 4%	Average Competitiveness Index 4%



Population

Mexico has an estimated population of 129.5 million as of 2023, with an annual growth rate of approximately 0.7%.



Official Language

Spanish is Mexico's official language, but English is commonly used in international business contexts.



Territory

Spanning 1,964,375 km² (758,449 mi²), Mexico is the third-largest country in Latin America, following Brazil and Argentina.



Geography
Mexico's geography is highly diverse, ranging from tropical climates along its coasts to arid deserts in the north. Its landscape features high mountains, expansive plateaus, pristine beaches, lush forests, and vast deserts, offering significant natural resources and scenic beauty.



Economy
Mexico operates a free-market economy and is the second-largest economy in Latin America, with an estimated GDP of USD 1.3 trillion in 2023. Its robust trade network includes the USMCA (United States-Mexico-Canada Agreement) and multiple other international trade agreements, reinforcing its position as a global economic player.



Main industries
Mexico's economy is driven by diverse industries, including:

- Food and beverages
- Automotive manufacturing
- Electronics and technology
- Oil and gas
- Textiles and apparel
- Chemicals
- Tourism and hospitality
- Mining and raw materials
- Financial and banking services
- Information technology and innovation



Principal Trading Partners
Exports: Mexico's main export destinations are the United States, Canada, and China.
Imports: Mexico imports large volumes from the United States, China, and Germany.



Government
Mexico is a federal democratic republic comprising 32 federal entities, including 31 states and Mexico City. Its political system is built on separating executive, legislative, and judicial powers. The President is elected by direct vote for a six-year term, with no option for re-election.

Investment and Business Establishment



Foreign Investment Law in Mexico

Mexico regulates foreign investments through the Foreign Investment Law (Ley de Inversión Extranjera, LIE). This law ensures that foreign capital contributes to economic growth while aligning with national interests. The framework protects sovereignty in critical areas and balances openness with strategic priorities.

Key Definitions

- The Commission**
 The National Foreign Investment Commission (Comisión Nacional de Inversiones Extranjeras) oversees and evaluates foreign investments in Mexico.
- Foreign Investor**
 Defined as an individual of any nationality other than Mexican or any foreign legal entity that engages in investment activities.
- Foreign Investment**
 Includes any participation by foreign investors in the capital structure of a Mexican company or corporation and investments made by Mexican companies where foreign capital constitutes the majority.
- Registration**
 Mexican entities with Foreign Investors must be registered before the National Register of Foreign Investments (Registro Nacional de Inversiones Extranjeras, RNIE), a database managed by the Ministry of Economy.
- Authority**
 The Ministry of Economy (Secretaría de Economía, SE) is the primary government body responsible for regulating and overseeing foreign investments in Mexico.

Restricted zones

Foreign investment is limited in specific geographical zones as defined by the Mexican Constitution and the LIE:

Border Zones

A strip of land 100 km (62.5 miles) along Mexico's international borders.



Coastal Zones

A strip of land 50 km (31.3 miles) along Mexico's coastlines.



These restrictions aim to safeguard national sovereignty and strategic interests in these regions.

Further details: Article 27, Section I of the Mexican Constitution.

Foreigners' Exclusion Clauses

These are provisions in agreements or contracts that prohibit foreign investors from participating directly or indirectly as partners or shareholders in a company. These clauses are typically used in businesses operating in sectors with restrictions on foreign ownership.

Key Considerations

Foreign investment is permitted in most sectors of the Mexican economy. However, restrictions apply to areas deemed critical to national security or sovereignty, such as land ownership near borders, energy production, telecommunications, and natural resource management.

All foreign investments must be registered with the RNIE, administered by the Ministry of Economy. This registration ensures compliance with legal requirements and facilitates the government's monitoring of foreign capital inflows.

Starting a Company in Mexico

Mexico has made significant strides in reducing the time and cost associated with starting a business, positioning itself as an increasingly attractive destination for foreign investors. Recent government reforms have simplified business registration, minimized bureaucratic hurdles, and enhanced transparency and efficiency. These improvements reflect Mexico’s commitment to fostering entrepreneurship and encouraging foreign direct investment.

Indicators for Starting a Business in Mexico

When establishing a commercial or industrial company **in Mexico** (up to 50 employees and initial capital equivalent to 10x the Gross National Income per capita), the following indicators provide a benchmark:

Number of Procedures 7	Average Duration 8 (in days)
Cost 6.5% (% of GNI per capita)	Minimum Paid Capital 6.2% (% of GNI per capita)

These figures underscore the relative ease and affordability of starting a business in Mexico, providing foreign investors with a sense of reassurance and confidence in their decision to enter the Mexican market.

Minimum Paid Capital

Entrepreneurs must deposit a minimum paid capital before registering a company or within three months of its formation. This amount is calculated as a percentage of the country’s GNI per capita. In recent years, Mexico has reduced these requirements to encourage entrepreneurship and attract foreign investment.

Company Formation Process

Foreign investors must identify the legal structure best suited to their business needs (**detailed information about legal structures is provided later in this document**). The formation process includes:

- Formalizing the process by signing the Articles of Incorporation before a Notary Public
- Obtaining necessary permits and licenses.
- Registering with the Public Registry of Commerce.

Once all legal requirements are met, the business can begin operations compliant with Mexican law.

Legal, Tax,
and Corporate
Considerations



Legal and Corporate Issues

Foreign individuals and legal entities can establish a company in Mexico or acquire shares in an existing Mexican corporation. When doing so, they typically choose between two common legal structures: the Limited Liability Stock Corporation, Inc. (Sociedad Anónima, S.A.) or the Limited Liability Company, LLC (Sociedad de Responsabilidad Limitada, S. de R.L.). While both share similar tax treatments, they differ in governance, ownership flexibility, and operational requirements.

Legal Structure and Capital Requirements

Equity and Shareholder/Partner Requirements

S. A. (Inc)	S. de R.L. (LLC)
Shareholders or partners can be individuals or corporations, domestic or foreign, with no restrictions on nationality or residence, except as outlined in the LIE. Non-resident shareholders must appoint a legal representative in Mexico.	
A S.A. requires a minimum of two shareholders , with no limit on the maximum number.	A S. de R.L. operates similarly to a closed corporation in the U.S. It requires at least two partners and allows up to 50.
In an S.A., shareholders can transfer or endorse shares freely without requiring approval from a board of directors. This flexibility makes the S.A. ideal for businesses prioritizing ownership fluidity.	In contrast, an S. de R.L. requires approval from a partners' meeting for any transfer or addition of new partners. This structure offers greater control over ownership but is less flexible.

Capital Requirements

S. A. (Inc)	S. de R.L. (LLC)
A S.A. may structure its capital as fixed or variable under the variable capital option (S.A. de C.V.). This flexibility allows companies to adjust their capital structure to align with changing operational needs or investment opportunities.	Establishing an S. de R.L. requires a minimum capital of MXN 3,000, including fixed and variable portions under the variable capital option (S. de R.L. de C.V.). The total capital must remain above MXN 3,000 to comply with legal requirements.

Tax Implications

S. A. (Inc)	S. de R.L. (LLC)
The S.A. offers flexibility in ownership and capital structure. However, U.S. tax authorities may not automatically recognize it as a subsidiary of a U.S. parent company unless specific conditions are met, potentially affecting the tax treatment of profits and cross-border transactions.	The S. de R.L. has gained popularity among U.S. parent companies due to its favorable tax treatment. U.S. tax authorities often classify it as a branch of the parent company, enabling potential tax benefits, including pass-through effects for profits and losses.



Board of Directors and Powers of Attorney

The S.A. and the S. de R.L. **must have at least one director or a board of directors.** The shareholders or partners elect these individuals during official meetings.

The board manages and represents the company's operations in various capacities. In most cases, directors or board members are granted specific powers of attorney to act on behalf of the company in administrative, legal, financial, and operational matters.



General Power for Acts of Administration

This power authorizes the holder to carry out all administrative actions necessary for the business's operation. These actions include:

- Managing public and private processes.
- Interacting with authorities, such as social security, tax, and other government agencies.
- Handling applications and requests on behalf of the company.



General Power for Lawsuits and Collections

This power grants the holder the authority to represent the company in legal and arbitration proceedings. Responsibilities include:

- Acting as the company's representative in arbitration or litigation.
- Collecting payments and protecting the company's rights through legal action.



Power of Attorney for Labor Issues

This power enables the holder to address labor-related matters for the company, including:

- Managing relations with unions and social security agencies.
- Negotiating and implementing labor agreements.
- Representing the company in labor board meetings and similar engagements.



Power of Attorney for Special Banking and Exchange

This power authorizes the holder to manage the company's banking and financial operations, such as:

- Conducting banking transactions.
- Overseeing financial agreements and administrative operations.



Power of Attorney for Acts of Ownership

The holder of this power is responsible for managing the acquisition and disposition of company assets. This includes:

- Executing real estate and personal property transactions.
- Granting mortgages, liens, or other encumbrances on company assets.
- Disposing of assets as necessary for business operations.



Power of Attorney to Grant and Revoke Powers of Attorney

The holder can delegate or withdraw legal authority from another individual. This action must be formalized through a notarized document, ensuring the legal validity of the transaction. Utilizing this power allows the company to assign representation for specific duties or responsibilities as needed.

Annual Financial Report and Supervisory Board

Annual Financial Report

S. A. (Inc)	S. de R.L. (LLC)
The S.A. and the S. de R.L. must submit an annual financial report outlining the company’s financial status and key activities.	
The Statutory Auditor (<i>Comisario</i>) must prepare and present a report during the General Ordinary Stockholders’ Meeting. This report evaluates the truthfulness, sufficiency, and reasonableness of the financial information provided by the Board of Directors to the shareholders.	While not always mandatory, partners can establish a process to review the financial reports. The level of scrutiny depends on the internal governance agreements and may involve a supervisory board or external auditor.

Supervisory Board

S. A. (Inc)	S. de R.L. (LLC)
In an S.A., the appointment of a Statutory Examiner (<i>Comisario</i>) is mandatory. The <i>Comisario</i> can be an individual or a group tasked with overseeing the company’s financial activities to ensure alignment with shareholder interests. Their primary responsibility is to provide an impartial review of financial operations and present their findings during the annual shareholders’ meeting.	In an S. de R.L., appointing a Statutory Examiner or establishing a Supervisory Board is optional and determined by the partners during a formal meeting. While not mandatory, implementing a supervisory mechanism can enhance financial oversight and strengthen corporate governance practices.

Shareholders and Partners Meetings

Ordinary Shareholders’ Meetings

An Ordinary Shareholders’/Partners’ Meeting is mandatory for the S.A. and the S. de R.L. This meeting must occur within four months following the end of the fiscal year. Key objectives of the meeting include:

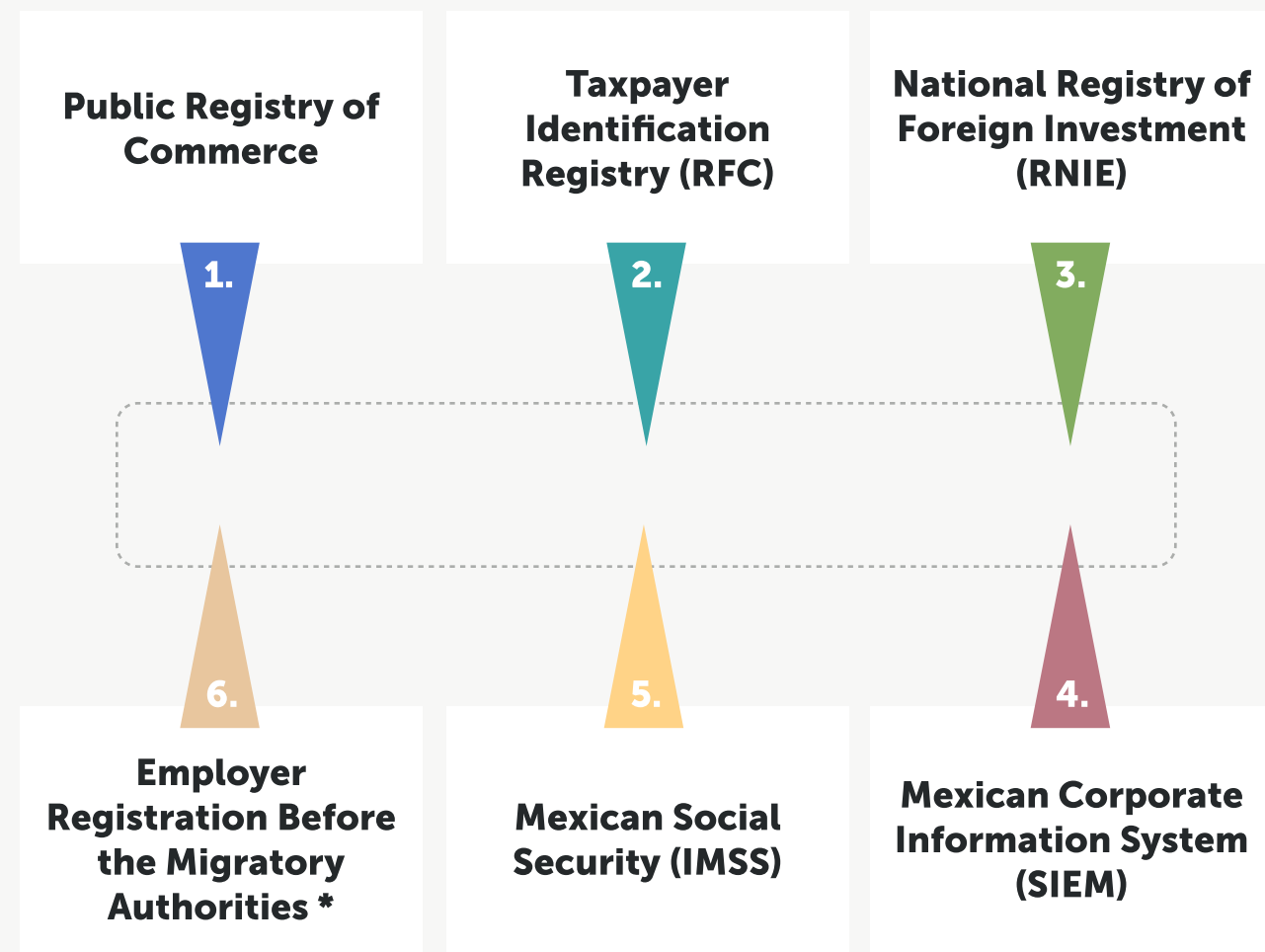
- Reviewing and evaluating the company’s financial and operational performance over the past fiscal year.
- Appointing or re-appointing the Statutory Examiner (*Comisario*) or the Supervisory Board.
- Approving financial statements and other annual reports prepared by the Board of Directors or management.

Extraordinary Shareholders’ Meetings

S. A. (Inc)	S. de R.L. (LLC)
In an S.A., Extraordinary Shareholders’ Meetings are mandatory.	In an S. de R.L., such meetings are optional and convened only when necessary by the partners.
Extraordinary meetings may be convened to address specific matters that require approval beyond ordinary meetings’ scope. Examples of such issues include: • Approving additional capital contributions or authorizing the redemption of shares. • Deciding on the dissolution and liquidation of the S.A or S. de R.L. • Approving mergers or consolidations with other entities.	
These meetings must be formalized through notarization and filed with the Public Registry of Commerce to ensure legal validity.	

Registrations for Newly Established Corporations

When establishing a new corporation in Mexico, it is essential to complete several registrations with the relevant authorities. While some registrations are mandatory, others apply depending on the corporation's circumstances. These registrations ensure compliance with Mexican law and facilitate smooth business operations.



* Applicable when hiring expats.

1. Public Registry of Commerce

Once the company's bylaws are formalized and notarized, the corporation must register with the Public Registry of Commerce in the jurisdiction where it was incorporated. This registration establishes the company's legal existence and allows it to conduct business activities in Mexico.

2. Taxpayer Identification Registry (RFC)

Obtaining a RFC is mandatory for all newly established corporations in Mexico. It is essential for:

- Issuing electronic invoices (facturas).
- Filing tax returns and meeting ongoing tax obligations.
- Opening and maintaining business bank accounts.

Additionally, companies must provide a fiscal address in Mexico to complete this process.

3. National Registry of Foreign Investment (RNIE)

Companies with foreign ownership must register with the RNIE. This registration allows the government to monitor foreign investment activities and ensure compliance with the regulations outlined in the LIE.

4. Mexican Corporate Information System (SIEM)

Newly established companies must register with the SIEM. This system categorizes businesses based on industry and size, providing essential information for government oversight and industry analysis. Registration with SIEM enhances transparency and connects businesses to industry networks and resources.

5. Mexican Social Security (IMSS)

Newly established companies in Mexico must register with the IMSS to obtain an Employer Registry Number. This registration is a prerequisite for hiring employees. It ensures compliance with labor regulations regarding social security contributions, healthcare coverage, and employee benefits.

6. Employer Registration Before the Migratory Authorities

Companies that intend to hire expats in Mexico must obtain an Employer Registration Certificate from the Migratory Authorities. This certification is required to sponsor work visas and comply with immigration regulations.

Taxation in Mexico

Mexico's tax system is critical to business operations, impacting profitability, compliance requirements, and financial planning. The country's taxation framework consists of direct and indirect taxes, which businesses must comply with at the federal level.

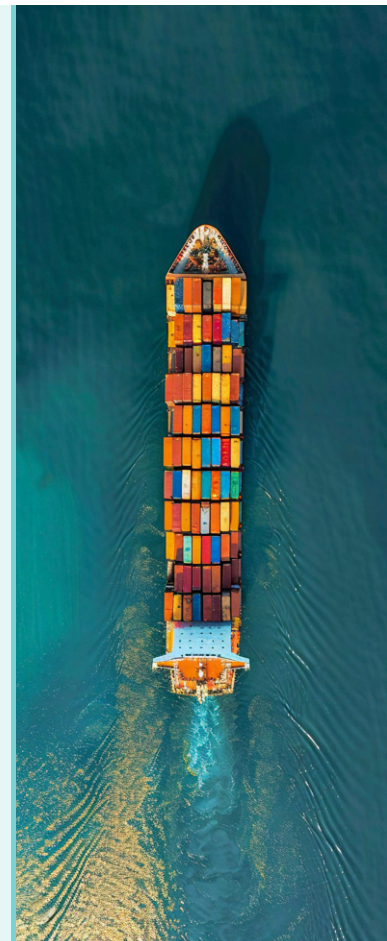
Tax Authorities in Mexico

Secretaría de Hacienda y Crédito Público (SHCP)

The SHCP, Mexico's equivalent of the U.S. Department of the Treasury, is responsible for directing and overseeing Mexico's economic, financial, fiscal, and public debt policies. Its primary objective is to ensure sustainable economic growth, equitable financial policies, and a stable fiscal environment that strengthens Mexico's economic well-being.

Servicio de Administración Tributaria (SAT)

The SAT, Mexico's equivalent of the Internal Revenue Service (IRS), is the primary tax authority responsible for tax collection, enforcement, audits, and compliance oversight. Businesses must register with SAT to obtain a Taxpayer Identification Number (RFC) and fulfill tax filing obligations.



Mexico's Primary Taxes

The taxation framework in Mexico is similar to that of the U.S. but presents key differences. The primary taxes that companies operating in Mexico must consider include:

Impuesto sobre la Renta, ISR (Income Tax)

A direct tax on corporate profits, similar to the U.S. corporate income tax, with specific rules for deductions and reporting.

Impuesto al Valor Agregado, IVA (Value Added Tax, VAT)

An indirect tax applied to most goods and services, imports and exports, with reduced rates or exemptions in specific transactions and geographic areas.

Impuesto Especial sobre Producción y Servicios, IEPS (Special Tax on Production and Services)

An additional tax imposed on specific products, including alcohol, tobacco, sugary beverages, and fuels, with varying rates depending on the industry.

Income Tax (ISR)



Who is obligated to pay?

All companies operating in Mexico, national and foreign, are subject to ISR. This tax applies to all businesses generating income within Mexican territory, regardless of their countries of incorporation.



What is the Rate?

The Mexican income tax rate on profits is **30%**. This rate is uniform across the country, as Mexico does not impose state-level corporate income taxes.



What are the compliance obligations?

- **Annual Tax Return:** Companies must file their annual ISR tax return by March 31st of the following year.
- **Monthly Payments:** Companies make monthly advance payments throughout the year, which are credited toward the final tax liability.
- **Refunds:** Refunds for overpayments can be requested for up to five years after the tax is paid.
- **No Extensions:** The fiscal year follows the calendar year (January 1 – December 31), and Mexico does not allow extensions for tax filings.

ISR Key Considerations

Inflationary Effects on Debt

Mexican businesses must account for inflationary adjustments when managing debt. Inflation can erode the actual value of liabilities, potentially creating taxable income adjustments for borrowers. Conversely, lenders may apply inflationary adjustments to their financial assets, reducing their taxable income.

Deductible Expenses

Only authorized business expenses are deductible for income tax purposes in Mexico. To qualify for deductions, these expenses must be documented appropriately and meet legal requirements. Some deductions are subject to caps or restrictions as defined by tax regulations.

To ensure compliance, invoices and receipts, known as CFDIs, must include:

- Taxpayer Identification Number (RFC) of both the issuer and recipient.
- Tax regime under which the issuer operates.
- Detailed description of the goods or services sold.
- Unit price, total amount (in numbers and words), and applicable taxes (e.g., VAT).
- Folio number and digital seal issued by the SAT and the taxpayer.
- Special requirements for installment payments and first-hand imports.

Failure to comply with these electronic invoicing (CFDI) requirements may result in expenses not being deductible or in tax penalties.

Transfer Pricing

For multinational corporations, transfer pricing is a key tax consideration. Any expenses charged by a foreign parent company to its Mexican subsidiary may only be deductible if:

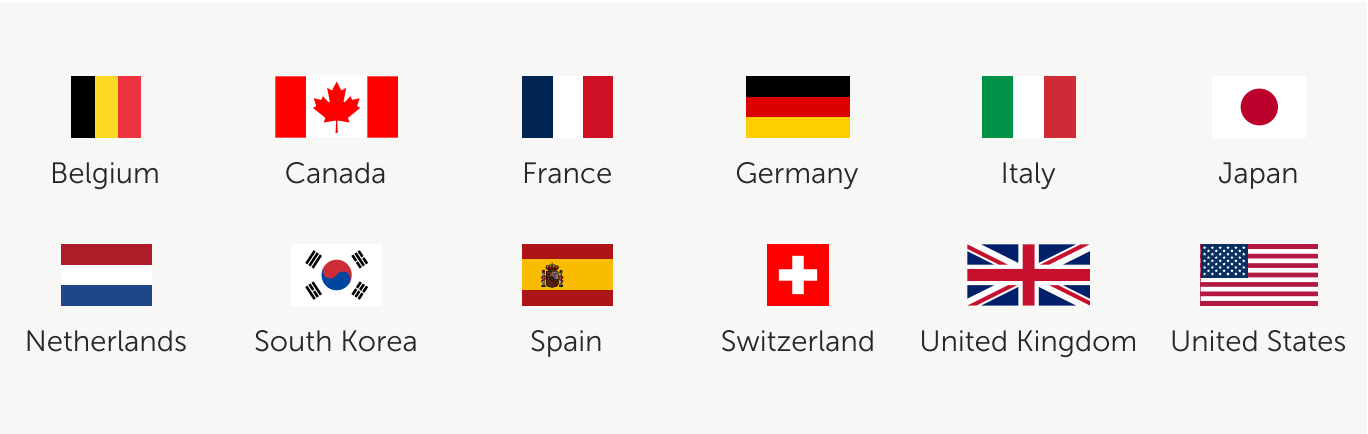
- The local file, master file, and country-by-country report (BEPS) are elaborated on and presented correctly.
- The local informative reports are elaborated on and presented correctly (appendix 9 of the annual tax return).
- The invoices accurately reflect expenses incurred (the substance of the intercompany transactions).
- An intercompany agreement exists between related parties (most cases: intangible transactions).
- Every fiscal year, a transfer pricing documentation report is obtained based on OCDE transfer pricing guidelines and Mexican income tax law.

Transactions Between related parties must follow the arms-length principle and reflect the correct substance of the intercompany transactions. Taxpayers must conduct a transfer pricing report to comply with the Mexican income tax law and OCDE transfer pricing guidelines.

Tax Treaties

Mexico has signed treaties with multiple countries to prevent double taxation and reduce withholding tax rates on certain payments. These agreements help foreign investors optimize tax liabilities while ensuring compliance with Mexican and international tax laws.

Some of the key treaty partners include:



Withholding Taxes

Mexico imposes withholding taxes on payments made to non-residents, depending on the type of income and the recipient's country of residence. These withholding tax rates vary based on the following:

- Dividends, interest, and royalties paid to foreign entities.
- Professional services, leasing, and other taxable payments made to individuals.

Companies making cross-border payments should review applicable withholding tax rates and treaty provisions to determine potential exemptions or reductions.

Taxation of Foreign Subsidiaries

Mexican tax law applies to both permanent and non-permanent residents earning foreign income. Companies must declare foreign-source income and pay taxes in Mexico, regardless of whether revenue is earned directly or through a foreign entity.

Suppose foreign profits are untaxed or taxed at a rate lower than 75% of Mexico's corporate tax rate. In that case, they may be subject to a preferential tax regime, leading to additional tax obligations.

Dividends and Capital Reductions

Companies can distribute profits to shareholders through dividends or capital reductions, each with different tax implications:

- **Dividend Distributions:** No additional tax is due if dividends are paid from previously taxed corporate profits (tracked in the CUFIN account). Otherwise, the company must pay tax before distribution, but shareholders are not subject to further withholding. However, a 10% withholding tax may apply to individuals and foreign shareholders.
- **Capital Reductions:** If a company reduces its capital, it must determine whether the reduction exceeds the Capital Contribution Account (CUCA). Any excess amount is treated as a taxable distribution and may be subject to dividend taxation.

Value Added Tax (IVA)



Who is obligated to pay?

The Value Added Tax (IVA) applies to most transactions involving goods and services produced, sold, or imported into Mexico. Any Mexican or foreign company conducting taxable activities within Mexico is required to collect and remit VAT.



What is the Rate?

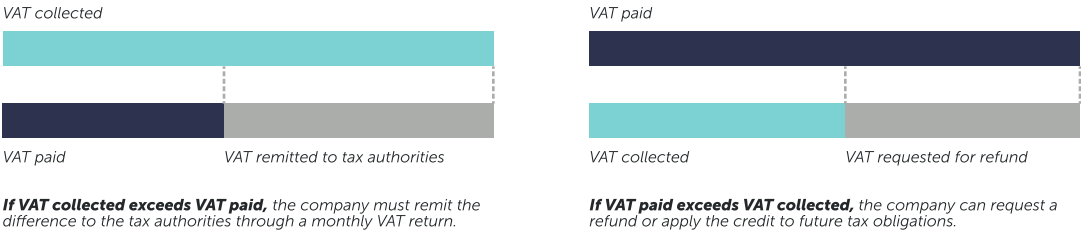
- **Standard rate:** 16% applied to most goods and services.
- **Border region rate:** 8% in specific border areas, designed to boost regional competitiveness.
- **0% rate:** Applies to exported goods and services and certain essential goods (e.g., some food items and medicines).



How is it calculated?

Mexico’s VAT system operates on a cash flow basis, considering the difference between VAT collected from customers and VAT paid to suppliers:

- **VAT Collected:** The tax charged to customers when selling goods or services.
- **VAT Paid (Outlay):** The tax paid when acquiring goods or services from suppliers.



What are the compliance obligations?

- **Monthly VAT Returns:** Businesses must file VAT returns monthly, detailing collected and paid VAT.
- **Refunds and Offset:** If the VAT paid exceeds the VAT collected, companies can apply for refunds or use the balance as a credit against future VAT liabilities.
- **Export Transactions:** Businesses engaged in exports must comply with specific customs and tax documentation requirements to apply the 0% VAT rate and claim related refunds.
- **Special Considerations for Maquiladoras:** Transactions between maquiladoras or companies operating under export tax deferral programs may be eligible for unique VAT treatments, minimizing tax burdens and improving cash flow.

Effective VAT cash flow planning is essential, especially for foreign companies. Delays in VAT refunds can directly impact a company’s cash flow, creating significant financial challenges. Maintaining proper documentation and filing accurate returns can minimize these risks.

Special Tax on Production and Services (IEPS)

The IEPS is an indirect tax levied on producing, importing, and selling certain goods and services considered harmful to public health, the environment, or the economy. Its primary objectives are twofold: to discourage the consumption of specific products—such as alcohol, tobacco, sugary beverages, and fuels—and to generate fiscal revenue that supports public programs. Unlike general sales taxes, IEPS targets specific industries with variable rates based on each product’s social or environmental impact.



Who is obligated to pay?

Businesses involved in producing, importing, or selling goods and services subject to IEPS are responsible for calculating, collecting, and remitting the tax to the Mexican tax authorities. Although the final consumer ultimately covers the cost through higher prices, the legal responsibility for filing and payment lies with the companies handling these transactions.



What is the Rate?

IEPS rates vary depending on the type of good or service, with specific rates applied to categories such as alcoholic beverages, tobacco, fuels, and sugary drinks. These differentiated rates align with the government’s fiscal and regulatory policies.

Alcoholic Beverages Taxed based on alcohol content. Higher alcohol content leads to higher tax rates.	Tobacco Products Taxed by volume or based on the product’s retail price.
Fuels Taxed at a fixed rate per liter or kilogram.	Sugary Beverages A specific tax is applied per liter of beverage with added sugar.
High-Calorie Foods (Junk Food) Taxed at a flat rate, typically aimed at discouraging excessive consumption.	Broadcasting and Paid TV Services Subject to a specific percentage rate.

Some products may benefit from exemptions or reduced rates, mainly when used for specific purposes (e.g., fuels for agriculture or public transportation).



How is it calculated?

The IEPS is calculated based on:

- A percentage of the selling price (e.g., alcoholic beverages).
- A fixed fee per unit (e.g., fuel taxed per liter or tobacco taxed per cigarette).

Key Collection Points:

Production or Importation Stage

IEPS is applied when products are manufactured or imported into Mexico.

Final Sale Stage

The tax is indirectly passed on to consumers through the product’s final price.

Example

A company producing soft drinks pays IEPS during production but passes the cost to consumers, who pay the tax through the purchase price.



What are the compliance obligations?

- **Monthly Tax Returns:** Businesses must file monthly IEPS returns, reporting all taxable transactions and remitting the appropriate taxes.
- **Proper Documentation:** Companies must maintain detailed production, importation, and sales records to support tax filings.
- **Specific Compliance for Each Product:** Different rules apply based on the type of good or service, particularly for items like fuels or tobacco.
- **Accurate Invoicing:** Invoices must reflect the IEPS amount separately, ensuring transparency and proper reporting.



Custom Duties

All merchandise entering Mexico is subject to customs duties designed to regulate trade and protect domestic industries. These duties vary based on:

Country of Origin:

Tariff rates depend on Mexico’s free trade agreements with the exporting country. Goods imported from countries with Free Trade Agreements (FTAs) may benefit from reduced or zero duties if they meet origin requirements.

Trade Incentive Programs:

IMMEX, PROSEC, and VAT Certification can lower or eliminate duties for qualifying industries, particularly in manufacturing and export sectors.

Mexico has an extensive network of FTAs that facilitates global trade by reducing or eliminating customs duties.

- USMCA (United States-Mexico-Canada Agreement, formerly NAFTA): Mexico provides preferential treatment for goods produced within the region. Most U.S. and Canadian goods can enter Mexico duty-free if they meet origin requirements.
- European Union (EU)
- Japan
- Israel
- Chile, Colombia, Costa Rica
- European Free Trade Association (EFTA): Norway, Liechtenstein, Switzerland, Iceland
- Northern Triangle: Guatemala, Honduras, El Salvador
- Trans-Pacific Partnership: Vietnam, Malaysia, Australia, Singapore, New Zealand, Peru
- Uruguay
- Bilateral Agreements with Brazil, Argentina, and Mercosur countries

Note

Depending on their classification, some goods may remain subject to duties or local taxes even under FTAs.

This overview of Mexico’s taxation system outlines the key taxes and regulations that will impact businesses in 2025, including income tax, VAT, IEPS, customs duties, and trade agreements. Understanding these obligations is crucial for compliance, risk mitigation, and fiscal optimization.

Foreign investors are encouraged to [consult with local tax advisors](#) to navigate the complexities of Mexican tax law and maximize available benefits.

Labor and Immigration



Labor Situation

Employment regulations in Mexico establish a structured framework for governing payroll taxes, employee benefits, working hours, and other labor-related obligations. Employers must comply with federal and state regulations to ensure fair labor practices and social protections for workers.

Christmas Bonus 15 days (legal cap)	Vacation Bonus 25% (based on 15 days)	Profit Sharing (PTU) 10%
Social Security 20-30%	Maternity Leave 6 weeks before and after birth	Paternity Leave 5 days after birth

Payroll Taxes (Taxes on Earnings)

Employers in Mexico must comply with specific payroll tax obligations in addition to the employees’ tax contributions. These obligations include withholding income tax and Social Security contributions from employees’ salaries and their filings. Payroll taxes are typically filed monthly and are essential for ensuring compliance with labor and tax regulations in Mexico.

Fundamental Payroll Tax Obligations

In addition to withholding income tax from employees, employers in Mexico must fulfill several mandatory payroll tax contributions. These contributions support the country’s social security system, retirement savings, and housing programs.



Social Security Contributions

Employers contribute an average of **16.40%** of the employee’s salary to the Mexican Social Security Institute (IMSS), while employees contribute **3.1%**.



Housing Fund (INFONAVIT)

Employers must contribute **5%** of the employee’s salary to INFONAVIT, which funds low-cost housing programs for workers.



Retirement Fund (AFORE)

Employers must contribute **3.15%** of the employee’s salary to the AFORE retirement fund, while employees contribute **1.125%** of their salary.

Payroll Local Tax (ISN)

In Mexico, the Payroll Local Tax (Impuesto Sobre Nómina, ISN) is a state-level tax on salaries, wages, and other employee compensations. Unlike federal payroll taxes, ISN is regulated by each federal entity, meaning tax rates and regulations vary depending on the state where the company operates.

Tax Rate and Application

The ISN rate generally ranges from **1% to 4%** of an employee’s compensation. Some states apply different rates depending on the company’s economic activity or the number of employees. While most states impose this tax, some offer exemptions or reduced rates under specific conditions.

States That Impose Payroll Tax

- Aguascalientes
 - Baja California
 - Baja California Sur
 - Campeche
 - Chihuahua
 - Coahuila
 - Colima
 - Durango
 - Estado de México
 - Guanajuato
- Hidalgo
 - Jalisco
 - Michoacán
 - Morelos
 - Nayarit
 - Nuevo León
 - Oaxaca
 - Puebla
 - Querétaro
 - Quintana Roo
- San Luis Potosí
 - Sinaloa
 - Sonora
 - Tabasco
 - Tamaulipas
 - Tlaxcala
 - Veracruz
 - Yucatán
 - Zacatecas

Exceptions and Special Conditions

Some regions do not charge payroll tax or offer exemptions under specific conditions.

Mexico City has a similar taxation system under a different name.

Chiapas, Guerrero, and Puebla provide reduced rates or exemptions based on particular industry requirements or economic development programs.

Given these variations, businesses must remain informed about local tax regulations in each state to ensure compliance and optimize payroll tax liabilities.

Employee Profit Sharing

Participación de los Trabajadores en las Utilidades, PTU

Under Mexican labor law, companies must distribute **10% of their taxable profits** to employees as part of the Employee Profit Sharing Program (Participación de los Trabajadores en las Utilidades, PTU). This obligation applies to most businesses, except for newly established companies in their first year of operations.

Key Considerations

Eligibility: All employees are entitled to profit-sharing, except for general managers, directors, and officers.

Payment Cap: PTU payments are capped at three months’ salary per employee.

Tax Planning Strategies: Some businesses reduce their PTU liabilities by offering deductible fringe benefits instead of direct profit-sharing payments, optimizing their tax obligations while maintaining employee benefits.

Working Hours and Holidays

Mexican labor law establishes specific regulations for working hours, rest periods, and holidays to ensure employee well-being and productivity.

Work Week and Rest Days

The standard workweek consists of **six days**, with employees entitled to **one paid rest day** for every six days worked. The maximum daily working hours are **eight hours**. Employees who work on Sundays are entitled to an additional 25% premium on their daily salary.



Vacation Time



Employees are entitled to **12 vacation days after one year of service**. This period increases by two additional days per year of service, up to a maximum of 20 days. Beyond this, employees gain two extra vacation days for every additional five years of service.

Mandatory Holidays

Employees are entitled to paid time off on designated public holidays in Mexico. These include:

JAN 1 New Year's Day	FEB 5 Constitution Day	MAR 21 Benito Juárez's Birthday	MAY 1 Labor Day
SEP 16 Independence Day	NOV 20 Revolution Day	DEC 25 Benito Juárez's Birthday	OCT 1 Presidential Inauguration (every six years)

Additionally, election days are considered mandatory holidays when determined by the authorities.

Employers in Mexico have significant obligations related to payroll taxes, employee benefits, and working conditions. These obligations protect employees while ensuring businesses comply with labor laws. As tax and employment regulations can be complex and subject to change, companies should **consult with legal or tax professionals** to stay compliant with the most recent changes and properly manage payroll processing.

Immigration Requirements for Foreigners

Foreign nationals conducting business in Mexico must comply with the country's immigration framework, which regulates entry, stay, and employment activities. Depending on the purpose and duration of the visit, individuals may need to obtain specific permits or residency visas issued by Mexican immigration authorities.

When establishing operations in Mexico, foreign companies typically appoint a **general manager or legal representative** to oversee their local subsidiary. In many cases, these individuals must obtain specific visas to enter and legally perform business-related activities in the country. As of 2024, all business and work-related immigration processes are governed by the Mexican Migration Law (Ley de Migración) and its accompanying Regulations (Reglamento de la Ley de Migración), which outline the requirements and procedures applicable to foreign nationals.



Short Stays Without Residence

Foreign nationals traveling to Mexico for short business trips may need various authorizations based on nationality and immigration status. Some may enter visa-free, while others must obtain a visa or utilize Mexico's Electronic Authorization System (SAE). The individual's country of origin determines the procedures, and they must ensure they possess valid visas from other countries.

For eligible travelers, Mexico provides two simplified electronic entry methods:

Electronic Multiple Migratory Form (FMM)

This form can be filled out online to speed up entry procedures. Occasionally, it may also be automatically generated upon arrival at immigration checkpoints.

Electronic Visa (SAE)

This permit, available to citizens of Russia, Turkey, and Ukraine, allows for visa-free air travel to Mexico. Applicants must:

- Hold a valid passport (minimum six months' validity).
- Complete an online application on the National Immigration Institute's website at least 30 days before travel.
- Provide details such as nationality, travel purpose, and intended length of stay.

Once approved, travelers must print and present the electronic visa, along with their passport and completed immigration form, upon entry.

Long-Term Residency Options

Foreign individuals planning to stay in Mexico for over 180 days must obtain either temporary or permanent residency, depending on the duration and nature of their activities. These permits enable foreigners to live and, in most cases, work legally in Mexico.

Temporary Residency

Temporary residency is for foreign nationals who plan to stay in Mexico for longer than 180 days and up to four years. To obtain this visa, a Mexican employer, with prior authorization from the migratory authorities (Employer registration), must submit a formal job offer to the National Immigration Institute (INM). Once authorized, the foreign individual must attend an appointment at a Mexican consulate abroad to complete the visa process, which typically includes an interview.

The cost of this visa ranges from USD 50 to USD 60. After arriving in Mexico, the visa must be exchanged for a Temporary Resident Card issued by the INM, allowing the individual to engage in paid activities in the country.

Permanent Residency

Foreigners intending to reside in Mexico indefinitely may apply for permanent residency. This status can be granted after maintaining legal immigration status in the country for four consecutive years. The application must be submitted directly to the National Immigration Institute, including the required documentation and payment of applicable fees.

With permanent residency, foreign nationals are granted broad rights, including the ability to work in Mexico without needing a separate work permit. As the name implies, this status is indefinite, provided the resident complies with applicable laws and does not fall under any legal grounds for revocation.

Regulatory and Incentive Framework



Regulatory Framework

Mexico's regulatory framework for foreign investment is primarily overseen by two key institutions: the National Foreign Investment Commission (CNIE) and the National Registry of Foreign Investment (RNIE). These agencies collaborate to ensure transparency, monitor foreign capital flows, and enforce compliance with investment regulations.

Regulatory Bodies

National Foreign Investment Commission (CNIE)

The CNIE develops policies and strategies to oversee foreign investment in Mexico. It encourages fair practices and coordination among government institutions engaged in international business activities.

The Commission comprises representatives from several ministries, including Foreign Affairs, Finance and Public Credit, Social Development, Communications and Transportation, Energy, and Tourism.

National Registry of Foreign Investment (RNIE)

The RNIE registers foreign-owned entities and maintains updated records of international investors operating in Mexico. Operating under Article 31 of the Foreign Investment Law, the RNIE requires foreign investors to submit periodic reports and declarations, which are used to assess the impact of foreign capital and inform future policy decisions.

This update reflects the 2024 regulations on immigration and foreign investment in Mexico. Foreign nationals and companies should ensure compliance with the current rules to effectively navigate the legal framework for their business operations in Mexico.



Incentive Framework

Mexico provides a range of fiscal and operational incentives to attract national and foreign investment. These incentives encourage export-oriented activities, support manufacturing operations, and facilitate compliance with customs and tax regulations. Depending on the company’s location, additional regional incentives may apply.

Incentives for National and Foreign Investment

Drawback (Customs Duty Refunds)

Foreign and national companies can benefit from a drawback program, which allows for refunds of customs duties and import taxes paid on goods, such as raw materials, that are later exported or used in manufacturing exported products. This incentive helps lower production costs for export-driven businesses.

Export Promotion Programs

Mexico has developed specialized programs to promote international trade, offering tax and operational benefits to businesses engaged in export activities.

IMMEX Program (Maquiladora and Export Services Program)

The IMMEX program allows companies to temporarily import goods used for manufacturing, modifying, or repairing foreign merchandise intended for export. With specific certification, these imports are exempt from import duties and VAT, making the program particularly appealing to manufacturing operations with an international footprint.

Contract Manufacturing Industry Program (Maquiladora Program)

Mexico’s Maquiladora Program supports foreign companies by providing favorable import conditions. Benefits include:

Companies can import specific items, such as machinery, telecommunications equipment, and containers, without paying import duties when they are used for export-related activities.

Temporary Importation privileges, allowing equipment and trailer boxes to remain in Mexico for up to three months without incurring duties.

Safe Harbor Tax Regimen

The Safe Harbor regime simplifies transfer pricing compliance for companies operating under the contract manufacturing model by providing clear parameters for calculating fiscal profits. Businesses qualify for the Safe Harbor regime if they meet at least one of the following thresholds:

6.9%
Report a fiscal profit equivalent to at least 6.9% of the total value of the assets utilized in the manufacturing process.

6.5%
Report a fiscal profit of at least 6.5% of the operational costs and expenses incurred by the contract manufacturer.



ESG and Sustainability Considerations

Companies operating in Mexico increasingly face sustainability, governance, and reporting expectations from regulators, investors, financial institutions, global customers, and parent companies. These requirements may involve verifiable ESG data, auditable reports, internal controls, and clearly defined governance structures.

ESG Key Considerations

ESG Operations and Reporting

Companies may need to conduct ESG assessments, define Key Performance Indicators (KPIs), establish internal controls, perform materiality analyses, and prepare sustainability reports aligned with frameworks such as ISSB, GRI, SASB, TCFD, or CSRD.

Sustainable Finance

Companies seeking green bonds, KPI-linked loans, or sustainability-linked financing may need to define measurable performance indicators and prepare technical documentation aligned with ICMA or LMA principles.

Governance and Compliance

Companies may need to establish committees, policies, risk matrices, governance models, and reporting structures aligned with frameworks developed by organizations such as the OECD and COSO.

Social and Human Capital Considerations

Social and human capital considerations may include diversity, equity, and inclusion; human rights; employee well-being; supply chain practices; and social reporting.

Operational Standards

ISO standards such as ISO 9001, ISO 14001, ISO 45001, and ISO 37301 can support quality management, environmental management, occupational health and safety, and compliance processes.

Why This Matters for International Companies

- European and North American requirements may also apply to Mexican subsidiaries.
- Financial institutions may request verifiable ESG performance indicators.
- Global customers may require documented evidence of sustainability practices and performance.
- External reviews or audits may require traceable information and effective internal controls.
- Corporate reputation increasingly depends on reliable and verifiable ESG information.



Tax Framework for Foreign Investors



Transfer Pricing and Tax Compliance for Foreign Investors

Foreign investors in Mexico must navigate a complex regulatory environment to ensure fair taxation and transparency in cross-border transactions. This section outlines the core principles of transfer pricing, mandatory compliance levels, and key tax requirements applicable to international businesses.

Legal Framework for Transfer Pricing

Transfer pricing in Mexico is governed by a comprehensive legal framework that outlines the obligations of companies engaging in related-party transactions. The primary legal sources include the following articles of the **Mexican Income Tax Law (MITL)**:

- **Article 76:** General documentation and reporting obligations.
- **Article 76-A:** Requirements for the Local File, Master File, and Country-by-Country (CbC) Report.
- **Article 179:** Arm's length principle, functional analysis, and application of the interquartile range.
- **Article 180:** Approved transfer pricing methods.
- **Articles 181 and 182:** Special rules for Maquiladora entities and the Safe Harbor regime.

Mexico generally adheres to the OECD (Organisation for Economic Cooperation and Development) Transfer Pricing Guidelines, **except** for the chapter related to cost allocation agreements (Cost Sharing Agreements), which is not fully adopted in the Mexican framework.

Arm's Length Principle in Mexican Income Tax Law (MITL)

Mexican tax legislation requires that transactions between related parties—whether domestic or foreign—be carried out under the arm's length principle, meaning that they must reflect the same terms and conditions as would apply between independent parties in comparable circumstances. This principle is established under Article 179 of the Mexican Income Tax Law (MITL). It applies to corporate (Title II) and individual (Title IV) taxpayers.

Suppose transactions do not comply with this standard. In that case, Mexican tax authorities may adjust the taxable income and deductions by determining what would have been agreed upon in a comparable transaction between unrelated parties. These rules apply to legal entities, individuals, permanent establishments in Mexico, foreign residents, and even operations carried out through trusts.

As a result, all companies that engage in transactions with related parties—domestic or foreign—must document and report these operations properly, follow the arm's length principle, and comply with applicable transfer pricing obligations.

Articles 179 and 90 of the Mexican Income Tax Law (MITL).



Transfer Pricing Documentation Requirements

Mexico has established a **tiered structure** of transfer pricing documentation and reporting obligations, which vary based on company size, transaction types, and revenue thresholds.

First Level: Appendix 9 (Annual Tax Return)

Taxpayers must file Appendix 9 as part of their annual tax return. This appendix includes key information about intercompany transactions, such as the applied transfer pricing method, the nature of the transactions, the country of the related party, and results within the applicable range.

This applies to companies that exceeded the following thresholds in the previous fiscal year:

MXN 13 Million in revenues for manufacturing and distribution activities.	MXN 3 Million for service activities.
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Article 76, Section X of the MITL and Miscellaneous Rule 3.9.19

Second Level: Transfer Pricing Report

In addition to Appendix 9, **companies exceeding the same thresholds mentioned above** must prepare a **transfer pricing report** documenting the arm’s length nature of their intercompany transactions.

Article 76, Section IX of the MITL

Third Level: Tax Situation Informative Return (ISSIF)

The ISSIF (Información sobre Situación Fiscal) must be filed in the following cases:

- When the taxpayer’s revenues exceed MXN 1,062 million in the previous fiscal year.
- When a related party must file a statutory audit report in Mexico (per Articles 32-A and 32-H of the Federal Tax Code).

However, taxpayers may be exempt from this requirement if their transactions with the audited party **do not exceed MXN 13 million**.

Key Consideration

Additionally, suppose total transactions (income, expenses, or loans) with foreign entities **exceed MXN 100 million**. In that case, the ISSIF must be filed, regardless of the relationship.

Articles 32-A and 32-H, Section V of the Federal Tax Code of the Federal Tax Code

Fourth Level: Electronic Tax Report System (SIPRED)

Entities required to undergo a statutory audit must submit Appendices 16 and 17 and a transfer pricing questionnaire via the SIPRED system (Sistema de Presentación del Dictamen de Estados Financieros para Efectos Fiscales). These must be signed by the certified public accountant and prepared under Article 32-A, Section I of the Federal Tax Code.



Fifth Level: Local File and Master File (BEPS Action Plan)

Companies must submit Local File and Master File reports if:

- Their revenues exceeded MXN 1,062 million in the previous fiscal year, or
- A related group entity is subject to a statutory audit.

These documents must be prepared and filed by Article 76-A of the MITL and aligned with OECD BEPS guidelines.

Sixth Level: Country-by-Country (CbC) Report

Companies with consolidated group **revenues exceeding MXN 12 billion** must file the CbC Report, providing detailed information about the global allocation of income, taxes paid, and economic activity by jurisdiction.

Registration of Technology Transfer Contracts

Technology transfer contracts between foreign entities and Mexican businesses must be registered with the Mexican Institute of Industrial Property (IMPI). This mandatory registration ensures that intellectual property rights associated with the transferred technology are formally recognized and protected under Mexican law.



Capital Inflows and Import Regulations

There are no restrictions on the volume of internal capital that can be brought into Mexico for business purposes. However, companies must comply with all applicable regulations when importing goods or services into the country. Compliance with these import regulations ensures transparency and alignment with Mexico’s broader legal framework governing trade, customs, and financial operations.

Taxes on Commercial Activities

Businesses operating in Mexico are subject to various federal taxes based on their commercial activities. These taxes are applied after allowable deductions, reductions, or exemptions have been accounted for. The primary taxes include:

- Corporate Income Tax
- Profits Tax
- External Credit Interest Tax
- Royalties Tax
- Asset Tax
- Value Added Tax (VAT)

Note

Preferential tax rates may apply to operations in countries with bilateral tax or trade agreements with Mexico. Companies are advised to review Mexico’s treaties to determine applicable benefits for international operations.

Tax Obligations for Foreign Companies

Foreign companies conducting business with Mexican entities are subject to Mexico’s tax and fiscal regulations as outlined in the Mexican Income Tax Law (Ley del Impuesto sobre la Renta, LISR). This includes tax obligations arising from acquiring goods, services, or other income-generating transactions with established businesses in Mexico.

Under the LISR, foreign residents are defined as follows:



Individuals:

Persons, regardless of nationality, who do not have their principal residence in Mexico. Even if they reside in the country, they are still considered foreign residents if over 50% of their income is earned abroad or if most of their professional activities occur outside Mexico.



Legal Entities (Personas Morales):

Corporations or associations that do not have their main offices in Mexico or whose principal business operations occur abroad. However, they may still maintain permanent establishments in the country, such as branches or representative offices.



Mexican Nationals (Personas Físicas):

Mexican citizens are presumed to reside in Mexico unless they can provide evidence of tax residency in another country. This presumption applies even when the individual resides abroad for professional or personal reasons.

International Taxation: Mexico's Approach

Mexico has developed a robust network of bilateral tax treaties aimed at preventing double taxation. Most of these agreements are based on the model established by the Organisation for Economic Cooperation and Development (OECD), which facilitates the standardization of criteria and cooperation between jurisdictions.

These treaties provide, among other benefits, for the reduction or elimination of withholding tax rates that would otherwise apply to income generated in one of the signatory countries and received by residents of the other. To access these benefits, taxpayers must provide proof of tax residency in the country with which Mexico has signed the treaty and fully comply with the conditions outlined in the agreement.

In line with its international commitment to tax transparency and the prevention of tax evasion, Mexico has signed the **Multilateral Instrument (MLI)** for the Implementation of Tax Treaty-Related Measures, promoted by the OECD under the **Base Erosion and Profit Shifting (BEPS) Project**.

The MLI allows multiple bilateral tax treaties to be amended simultaneously and efficiently, without the need for individual renegotiation. Its primary purpose is to incorporate specific measures to combat aggressive tax planning strategies that shift profits to low- or no-tax jurisdictions.



Key Changes Introduced by the MLI in Tax Treaties

- **Anti-abuse provisions**, such as the Principal Purpose Test (PPT), which denies treaty benefits if one of the main reasons for structuring a transaction was to obtain improper tax advantages.
- **Enhanced dispute resolution mechanisms**, including binding arbitration procedures in some instances.
- **Restrictions on treaty use** to avoid the creation of a permanent establishment status, by refining the definition to include artificial arrangements that fragment business activities.

In Mexico, **the provisions of the MLI will gradually apply** as each affected bilateral treaty is effectively amended and ratified by both parties. Taxpayers should remain informed about which treaties have been modified under the MLI and adjust their operations accordingly.

Additional Measures in Mexican Tax Law

Mexican tax legislation has established stricter requirements for validating the deductibility of international transactions, particularly those with foreign related parties. These transactions must demonstrate a clear business rationale and genuine economic substance, rather than being limited to tax-driven structures without legitimate business activity.

Specific restrictions also apply to the deduction of payments made to entities located in low-tax jurisdictions or preferential tax regimes, reinforcing the goal of preventing base erosion practices.



Withholding Tax Rates Under International Treaties

The table below summarizes the general corporate tax rate and treaty-based withholding tax rates on dividends, interest, and royalties for selected jurisdictions as of 2024:

Country	% Tax Rate	% Withholding – International Treaties		
		Dividends	Interest	Royalties
Argentina	35	10 or 15	12	10 or 15
Australia	30	15	10 or 15	10
Austria	23	5 or 15	10	10
Bahrain	46	NA	NA	10
Barbados	9	5 or 15	10	10
Belgium	25	10	5 or 10	10
Brazil	34	10 or 15	15	10 or 15
Canada	15	5 or 15	10	10
Chile	25 or 27	NA	5, 10, or 15	15
China (PRC), no HK	25	5	10	10
Colombia	35	35	5 or 10	10
Costa Rica	30	5 or 12	5 or 10	10
Czech Republic	21	10	10	10
Denmark	22	NA	15	NA
Ecuador	22 or 28	5 or 10	10 or 15	10
Estonia	22	NA	4.9 or 10	10
Finland	20	NA	NA	10
France	25	5 or 10	NA	10 or 15
Germany	15.825	5 or 10	5 or 10	10
Greece	22	10	10	10
Hong Kong	16.6	NA	NA	2.475 or 4.95
Hungary	9	NA	NA	NA
Iceland	20	5 or 15	10	10
India	15 or 35	10	10	NA
Indonesia	22	10	10	10
Ireland	12.5 or 25	5 or 10	5 or 10	10

Country	% Tax Rate	% Withholding – International Treaties		
		Dividends	Interest	Royalties
Israel	23	5 or 15	10	10
Italy	24	15	15	15
Japan	23.2	5 or 15	10 or 15	10
Kuwait	15	NA	4.9 or 10	10
Latvia	20	20	20	NA
Lithuania	16	15	10	10
Luxembourg	23.87	15	NA	NA
Malta	35	NA	5 or 10	10
Netherlands	25.8	5 or 15	5 or 10	10
New Zealand	28	5 or 15	10	10
Norway	22	15	NA	NA
Panama	25	5 or 7.5	5 or 10	10
Peru	29.5	10 or 15	10 or 15	15
Poland	19	5 or 15	10 or 15	10
Portugal	20	10	10	10
Qatar	10	NA	5 or 10	10
Romania	16	10	15	15
Singapore	17	NA	5 or 15	10
Slovakia	24	NA	10	10
South Africa	27	5 or 10	10	10
South Korea	24	15	5 or 15	10
Spain	25	10	10	10
Sweden	20.6	5 or 15	NA	10
Switzerland	8.5	10	10	NA
Turkey	25	5 or 10	15	10
UAE	9	NA	4.9 or 10	10
UK	25	NA	5 or 15	10
USA	21	10	15	10
Ukraine	18 or 50	15	10	10
Uruguay	25	5	10	10

Tax Regime for Foreign Residents

Foreign individuals and companies earning income from Mexican sources are subject to specific tax rules under Mexican law. This section outlines the main obligations, taxable income categories, and key procedures applicable to foreign residents, providing essential guidance for navigating Mexico’s taxation framework.

Tax Obligations for Foreign Residents in Mexico

Foreign individuals who reside abroad but earn income from Mexican sources are subject to Mexican income tax. This includes revenue generated through permanent establishments in Mexico, such as offices, factories, workshops, mines, or any facility that extracts or explores natural resources. In these cases, foreign residents are taxed only on the income attributable to their activities or assets in Mexican territory.

Types of Income Subject to Tax for Foreign Residents

Foreign residents earning income from Mexican sources are subject to specific tax obligations, which vary depending on the nature of the income and the transaction parties involved. Below are the main categories of taxable income for foreign residents, along with the applicable withholding or payment procedures:



Income from Payroll and Social Benefits

When a Mexican employer pays, the employer withholds and remits income tax. If the employer is based abroad, the foreign resident is responsible for directly reporting and paying the tax to the Mexican tax authorities (SAT).



Income from Professional Services or Royalties

Taxes are withheld and paid by the service recipient in Mexico. Exemptions may apply if the foreign service provider spends fewer than 183 days in Mexico during a calendar year.



Royalties Paid to Board Members of Mexican Companies

The Mexican company is responsible for withholding and remitting taxes on any payments made to foreign board members.



Leasing Income from Property in Mexico

The lessee must withhold and remit taxes on behalf of the foreign property owner. If the lessee is also a foreign resident, the lessor must fulfill the tax obligations directly with the SAT.



Income from Equipment and Machinery Leasing

Taxes are withheld and remitted by the lessee.



Leasing Income from Timeshare Properties

The lessee withholds and remits taxes as with other rental income.



Income from Stock Transfers

Tax applies to the transfer of stocks, bonds, or securities issued by Mexican entities or when at least 50% of the securities’ value is tied to assets located in Mexico. The buyer or a legal representative in Mexico must withhold the tax, or the seller must pay it directly to SAT.



Interest from Leases

Taxes are withheld and remitted by the lessee



Royalties from Technical Services or Advertising

Taxes are determined by law and withheld by the paying party.



Interest from Loans, Bonds, or Commissions

The paying party withholds taxes, with rates varying depending on the type of recipient.



Income from Prizes Paid in Mexico

Prizes paid to foreign residents are subject to the general tax rate. In contrast, reduced rates may apply to Mexican residents.



Income from Sporting or Entertainment Events

The event organizer or their legal representative in Mexico withholds and remits taxes.



Surpluses Distributed by Non-Profit Organizations

The distributing entity withholds and remits taxes on these surpluses.



Dividends, Remittances, and Capital Gains from Mexican Businesses

The paying entity withholds taxes. The income is grossed by a factor of 1.4286, and the corresponding rate is applied. This withholding does not apply if the income is already subject to corporate tax. Additionally, dividends paid to foreign individuals may be subject to a minimum 10% tax rate.



Income from the Sale of Real Estate in Mexico

Taxes are applied to the capital gain and are withheld by the notary public or legal representative overseeing the transaction.



Income from Construction, Maintenance, and Supervision Services

The paying party is responsible for withholding and remitting taxes on payments for these services.



Other Types of Income

This includes forgiven debts, compensation for losses, and the transfer of commercial credits. Taxes are withheld and paid by the payer. If the payer is a foreign resident, the tax must be reported and paid directly by the recipient to SAT.

Tax Filling and Payment

In Mexico, taxes on income earned by foreign residents are generally treated as definitive taxes. Once the applicable tax is withheld or paid upon receipt of the income, the foreign resident is not required to file an annual tax return for that specific income. Payments must be made when the income is received, ensuring timely compliance.

Additionally, suppose a tax treaty exists between Mexico and the foreign resident's home country. In that case, the applicable tax rate may be reduced to prevent double taxation. Foreign residents are advised to **consult the relevant tax treaties** to determine eligibility for preferential tax rates and ensure proper application of these agreements.

This overview reflects the 2025 framework of Mexico's tax obligations applicable to foreign residents and companies earning income from Mexican sources. To ensure full compliance and optimize their tax position, foreign individuals and businesses should stay informed about current regulations and leverage applicable tax treaties to avoid double taxation. **Consulting with local tax advisors** is strongly recommended to navigate these obligations efficiently and minimize potential risks.



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