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Taxation of international executives: Mexico

February 2026

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01

Overview and Introduction

1 Overview and Introduction

Taxation of international executives

Individuals considered as tax residents in Mexico are subject to income tax on their worldwide income. Non-residents are subject to tax only on Mexican-source income, irrespective of the location of the payer.

The official currency of Mexico is the Mexican Peso (MXP).

Herein, the host country refers to the country to which the employee is assigned. The home country refers to the country where the assignee lives when he/she is not on assignment.

02

Income tax

2 Income Tax

2.1 Tax Returns and Compliance

When are tax returns due? That is, what is the tax return due date?

30 April, with no extensions allowed. When April 30th is on a non-business day, the filing date will be the next closest business day.

What is the tax year-end?

31 December.

What are the compliance requirements for tax returns in Mexico?

Residents

Individuals should file a Mexican annual income tax return by 30 April of the following year on their worldwide income, except in the following cases.

- When they receive only exempt income or income which tax withheld or paid is considered final.
- When they only receive less than MXP400,000 of salary income, provided they did not work for two or more employers simultaneously during the year and were employed at the end of the year. This exception does not apply when the employee receives salary payments derived from foreign sources or from entities with no withholding obligation.
- Individuals obtaining a combined annual income of salary and interest income not exceeding MXP400,000, when the actual interest (interest adjusted by inflation) does not exceed MXP100,000, are not obligated to file an annual income tax return provided that the income tax on the actual interest has been withheld to them. In this case, the tax withheld is considered final.

Those individuals who obtained total income amounting MXP500,000 or more during the tax year, including exempt income and income that paid final tax, are obliged to report in their annual income tax return the travel expenses reimbursed by the employer, income on sale of principal residence (when the exemption applies), income from inheritances and legacies, as well as income received for prizes. Besides, all prizes, loans, and donations received, that in aggregate or individually amount more than MXP600,000 in the tax year, should also be reported.

Failure to comply with the earlier mentioned reporting requirements may result in the income being considered as taxable, even if originally such income was exempt or non-taxable.

The income tax is determined by applying a graduated scale with a maximum marginal tax rate of 35% for tax year 2026. This tax rate is reached at an annual income of MXP5,107,703.93 (monthly income of MXP425,642). Estimated tax payments and withholdings are credited to offset the final annual tax liability. The deadline to make the estimated tax payments or remit the withholdings to the Mexican tax authorities is the 17th of the following month.

Non-residents

Individuals considered non-residents are taxed on their Mexican-sourced income only and are not subject to file a Mexican annual income tax return, as monthly tax payments/withholdings are considered final or definitive.

Non-residents are allowed to have an exempt income on the first MXP125,900 wages earned, an income tax rate of 15% is applied when income exceeds MXP125,900 and 30% on income that exceeds

MXP1,000,000 within a 12-month period. Individuals should accumulate the income received every month to determine the tax rate to be used to calculate the corresponding income tax.

2.2 Tax rates

What are the current income tax rates for residents and non-residents in Mexico?

Residents

Employers must make monthly income tax withholdings on compensation paid to their employees. Wage withholding is levied on a progressive scale as follows.

Monthly income tax table for 2026

Taxable income bracket		Fixed quote	Tax rate on the excess over the inferior limit
Inferior limit (MXP)	Upper limit (MXP)	MXP	Percent
0.01	844.59	0	1.92%
844.6	7,168.51	16.22	6.40%
7,168.52	12,598.02	420.95	10.88%
12,598.03	14,644.64	1,011.68	16.00%
14,644.65	17,533.64	1,339.14	17.92%
17,533.65	35,362.83	1,856.84	21.36%
35,362.84	55,736.68	5,665.16	23.52%
55,736.69	106,410.50	10,457.09	30.00%
106,410.51	141,880.66	25,659.23	32.00%
141,880.67	425,641.99	37,009.69	34.00%
425,642.00	And over	133,488.54	35.00%

In the case of split payroll arrangements, the portion of the compensation received directly from abroad is subject to monthly personal income tax payments. That is to say, the individual is the one obligated to file monthly tax returns. It is important to mention that when the cost of the compensation paid from abroad is charged back to a Mexican company, such Mexican company is obligated to withhold and remit Mexican income taxes.

Monthly tax payments are due on or before the 17th day of the month following in which the compensation was received, using the monthly graduated rate scales. In case the individual is obligated to file monthly tax returns, additional days are granted depending on the individual's taxpayer ID number.

An employment subsidy may be applied against monthly withholdings and the annual tax liability. Employees with a monthly salary income more than MXP11,492.66 are not allowed to receive such subsidy.

Non-residents

Non-residents are only taxed on Mexican-sourced income. Mexican Tax Law establishes that income derived from an employment relationship should be considered as Mexican-sourced income when the associated personal services are rendered in Mexico.

Mexican salary income taxes for non-residents are calculated as follows.

Taxable income bracket	Total tax on income below bracket	Tax rate on income in bracket
0	125,900	Exempt
125,901	1,000,000	15%
1,000,001	Over	30%

The tax should be paid within 15 days following the receipt of the income, unless a Mexican company or a foreign company with a permanent establishment (PE) in Mexico is obligated to withhold the tax, or one of the following options to remit the tax is used, in which case the due date will be the 17th day of the following month in which the compensation was received.

Additional options to pay the non-resident income tax are as follows:

- The foreign employer withholds and remits the Mexican tax to the tax authorities (it is important to mention that this would require the foreign company to be formally registered in Mexico as a withholding agent).
- The Mexican company in which facilities the individual services are performed, could act as the collecting agent of the taxes and be responsible of remitting the non-resident income tax payments for the non-resident.
- The individuals could name a representative in Mexico through a power of attorney. The representative would be required to file the non-resident monthly income tax payments on their behalf.

It is important to point out that Mexican-source salary income received by non-resident employees is fully exempt from Mexican income tax if the salary is paid by a non-resident that does not have a PE in Mexico, or in the case that it does, when the service is not related to said PE as long as the presence of the employee in Mexico is less than 183 days, whether consecutive or not, in any 12-month period.

Note that the exemption is denied in case the non-resident payer of the compensation charges-back the cost of such compensation to a Mexican company.

The exemption will not be applicable if the payer has an establishment in Mexico related to the service rendered by the individual, even if such establishment does not constitute a PE for Mexican tax purposes, and when the individual rendering the service to such establishment (non-resident employee) receives complementary payments from non-residents for which salary income is subject to non-resident withholding.

2.3 Residence rules

For the purposes of taxation, how is an individual defined as a resident of Mexico?

According to the Mexican Tax Code, an individual should be considered resident for Mexican tax purposes if he/she establishes his/her place of abode in Mexico. In case the individual also has a place of abode in another country, the individual will be tax resident in Mexico if his/her center of vital interests is in Mexico. It is considered that the individual has his/her center of vital interests in Mexico in either of the following cases, among others:

- When more than 50% of the individual's total income received during the calendar year is derived from Mexican sources.
- When the individual's main center of professional activities is located in Mexico.

In the absence of proof of contrary, Mexican nationals are presumed to be tax residents of Mexico.

On the other hand, an individual will not stop to be considered resident in Mexico in case he/she does not prove tax residence in the other country or in case he/she does, the change of residency is in a country

where income is subject to a preferential tax regime in which case would maintain residency status in Mexico during the taxable year in which the individual files a change of residency notice and for the following 5 years. However, this would not be applicable when the country where the new tax residence is proven, has a Broad Exchange of Information Agreement with Mexico and, in addition, an International Treaty that allows mutual administrative assistance in notifying and collecting taxes.

Finally, an individual that stops to be considered a tax resident in Mexico should file a change of residency notice, which lack of filing would maintain residency status in Mexico for the individual.

Is there, a de minimum number of days rule when it comes to residency start and end date? For example, a taxpayer can't come back to the host country for more than 10 days after their assignment is over and they repatriate.

Not applicable, as residence is determined on the earlier mentioned rules.

What if the assignee enters the country before their assignment begins?

This could be considered as a business trip, unless the assignee establishes a place of abode in Mexico or in case the individual also has a place of abode in another country, if his/her center of vital interest is in Mexico.

2.4 Termination of residence

Are there any tax compliance requirements when leaving Mexico?

When an individual leaves Mexico, it should be analysed whether he/she will acquire the tax residency in another country and if in such country:

- Income will be subject to a preferential tax regime, and
- A Broad Exchange of Information Agreement is in place with Mexico, as well as an International Treaty that allows mutual administrative assistance in notifying and collecting taxes.

If after the analysis the conclusion is that individual stops to be considered a tax resident in Mexico, he/she should file a change of residency notice. If Mexico has a Double Tax Treaty with the country individual will now reside, Treaty could also be invoked to analyse if individual stops being a tax resident in Mexico, in which case, the change of residency notice should also be filed.

Change of tax residency notice is filed in two steps:

1. Individual logs into the Mexican tax authorities' website with his/her Tax ID number and tax password and completes a form where the new country of residence, name, address and Tax ID number of his/her legal representative will be requested. Once completed, form should be submitted.

2. Then individual goes to another section of the Mexican tax authorities' website to complete and submit a form related to the change of residency notice, where he/she should attach the following documents:

    - Official document issued by a competent authority of the individual's foreign Tax ID number. If document is in a language different than Spanish, the certified translation to Spanish must be accompanied. This document should be apostilled.
    - The power of attorney issued by a Mexico notary, in which the legal representative was designated.
    - Written and signed statement manifesting under oath that individual is not under a tax audit process.

In addition, Mexican Tax Law states that an individual who changes his/her tax residency during the year will consider estimated payments made as final and would not be required to file an annual income tax return; however, if change of residency notice is not filed, annual income tax return might be required reporting worldwide income.

What if the assignee comes back for a trip after residency has terminated?

This could be considered as a business trip, as it is assumed that the assignee has changed tax residency to other country.

Communication between immigration and taxation authorities

Do the immigration authorities in Mexico provide information to the local taxation authorities regarding when a person enters or leaves Mexico?

This is not a common practice; however, this possibility could exist as there has been more communication between local authorities lately.

Filing requirements

Will an assignee have a filing requirement in the host country after they leave the country and repatriate?

If the resident assignee changes tax residency to other country before December, he/she will not have an annual income tax return filing requirement and the monthly tax withholdings, or payments made will be considered as definitive or final. However, taxes will need to be paid in case the non- resident individual receives payments derived from Mexican sources (if he/she is not exempt).

2.5 Economic employer approach

Do the taxation authorities in Mexico adopt the economic employer approach to interpreting Article 15 of the OECD treaty? If no, are the taxation authorities in Mexico considering the adoption of this interpretation of economic employer in the future?

Yes.

De minimum number of days

Are there a de minimum number of days before the local taxation authorities will apply the economic employer approach? If yes, what is the de minimum number of days?

No, the economic employer approach occurs when there is a charge-back of the cost of the compensation to a Mexican company.

2.6 Types of taxable compensation

What categories are subject to income tax in general situations?

Resident individuals are taxed on worldwide income and non-residents on Mexican source income. Salary income is considered Mexican source when the services are rendered in Mexico (based on days worked in Mexico).

Most types of remuneration and benefits received constitute taxable income regardless of the source of payment, such as:

- Reimbursement of foreign and/or home country taxes.

- Hypothetical taxes charged to the employee would be offset against this income to determine the net taxable income.
- School tuition reimbursements are taxable.
- Cost-of-living allowances, per diems and expatriation premiums for working in Mexico are taxable.
- The employer contribution to rent is taxable. The value of housing provided directly by the employer is also taxable. Hypothetical housing charged to the employee would be offset against this income to determine the net taxable.
- A car allowance is taxable. An automobile granted by a Mexican company is not taxable and deductible for the Mexican company under certain limitations.
- Stock options are taxable at exercise for the difference between the fair market value of the stock at the time of exercise and the exercise price.
- Contributions up to certain caps made by employers to employees' savings funds qualify as a social welfare benefit when granted to all employees. The income from the funds is not taxable provided a number of requirements are complied with. Special rules also apply to thrift/savings plans and retirement plans.

Intra-group statutory directors

Will a non-resident of Mexico who, as part of their employment within a group company, is also appointed as a statutory director (i.e., member of the Board of Directors in a group company situated in Mexico) trigger a personal tax liability in Mexico, even though no separate director's fee/remuneration is paid for their duties as a board member?

No.

a) Will the taxation be triggered irrespective of whether the board member is physically present at the board meetings in Mexico?

No, unless Mexican company pays the remuneration for their duties as a board member.

b) Will the answer be different if the cost directly or indirectly is charged to/allocated to the company situated in Mexico (i.e., as a general management fee where the duties rendered as a board member is included)?

No if included in the general management fee. If charge is only for the remuneration for their duties as a board member in Mexico, then these will be taxable.

c) In the case that a tax liability is triggered, how will the taxable income be determined?

In case a non-resident tax is triggered, a 25% tax will apply on remuneration for their duties as a board member, paid or borne by the Mexican company.

2.7 Tax-exempt income

Are there any areas of income that are exempt from taxation in Mexico? If so, please provide a general definition of these areas.

- The employee's transportation costs incurred for a business trip, which has also been combined with home leave, is not taxable. However, the employee's family transportation cost is taxable.
- Moving expense reimbursements, which are claimed as a business expense, are non-taxable for the individual, but relocation allowances or unsubstantiated expenses are taxable.
- Certain deferred compensation plans may result in non-taxable compensation, provided that the cost of the compensation is not borne by a Mexican employer.

- Social welfare benefits granted to all employees, such as group life and medical insurance (without cap), as well as disability subsidies, educational scholarships, day-care center, cultural and sport activities, and other activities of similar nature (up to certain caps) are not subject to tax.

2.8 Expatriate concessions

Are there any concessions made for expatriates in Mexico?

The Mexican Tax Law does not contain any incentives or special relief for resident expatriates working locally, except a limited foreign tax credit on income derived from foreign sources.

2.9 Salary earned from working abroad

Is salary earned from working abroad taxed in Mexico? If so, how?

Yes, in case the individual is a resident for Mexican tax purposes since such individuals are taxed on worldwide income. However, if foreign income taxes were paid on such foreign- sourced income, a limited foreign tax credit is available when the resident individual files his/her Mexican annual income tax return.

2.10 Taxation of investment income and capital gains

Are investment income and capital gains taxed in Mexico? If so, how?

Worldwide investment income and capital gains for resident individuals is subject to Mexican tax at ordinary graduated tax rates.

Non-residents are only taxed in Mexico when the income derives from Mexican sources.

Dividends

Income from dividends received by a resident individual is taxable at ordinary progressive tax rates, regardless of the source of payment.

Resident individuals must accumulate income received from dividends in their annual income tax return, whether received by a Mexican or foreign company.

If dividend is distributed by a Mexican company, this is obligated to remit the corresponding tax, as well as provide a statement to the individual with the dividend and corporate tax paid. Individual has the option to credit such corporate tax if he/she considers this amount as taxable income as well as the dividend in the annual income tax return. The corporate tax when distributing dividends shall be determined by applying the corporate income tax rate of 30% to the result of multiplying the dividend distributed by the factor of 1.4286. An additional 10% final tax will be withheld when dividend is distributed, meaning this cannot be credited in the annual income tax return.

On the other hand, dividend income paid by entities abroad, should be reported in the individual's annual income tax return. An additional 10% tax should be paid when the dividend is received. This 10% additional tax will be final, meaning it cannot be credited in the annual income tax return and it should be remitted by the individual through his/her Mexican bank account webpage by the 17th day of the following month from when dividend is paid.

Non-residents should pay taxes on dividend received in case income derives from Mexican sources (i.e., when the dividend is paid by a company resident in Mexico). Non-resident tax could vary depending on the type of distribution made.

In addition, resident companies in Mexico that pay dividends to non-resident individuals are required to withhold and remit a 10% final tax and issue a statement to the individual showing the amount of the dividend paid as well as the tax withheld.

Interest income and foreign bank/investment accounts

Any interest income received from Mexican or non-Mexican institutions is taxable for resident individuals.

Interest on Mexican bank deposits is subject to a withholding tax at source, which is considered as a final tax payment only if the annual amount of interest adjusted by inflation does not exceed MXP100,000. If this amount is exceeded, the resident individual will be required to add the interest to other taxable income obtained during the year in his/her annual income tax return. The Mexican bank will provide an annual statement by February 15th of the following year including actual interest, interest adjusted by inflation (taxable income) and taxes withheld. In case the taxable income results in a loss, this can be offset against other income except salaries and business income.

Also, interests and exchange gain/loss from non-Mexican institutions are taxable. Interests should be adjusted by inflation (taxable income), and the exchange gain/loss will depend on the balances and daily movements of the accounts when converting them to Mexican pesos. If an “exchange gain” on the balance of the account is generated it would be considered taxable income. If an “exchange loss” is determined, this can be deducted against other interest income received from non-Mexican institutions or from other account “exchange gains” determined. Taxes paid from interest derived from foreign sources can be credited towards the Mexican annual tax, under certain limitations.

In both cases, taxable income will be subject to ordinary progressive tax rates when annual income tax return is filed.

Non-residents should pay taxes on interest in case the income is derived from Mexican sources. (i.e., paid by a Mexican resident or a non-resident with a permanent establishment in Mexico; or in case the capital is invested in Mexico).

Rental income

Income received by a resident individual from rental of property is taxable in Mexico at ordinary progressive tax rates. Taxable income is the amount received less certain deductions.

Individuals could claim a deduction for expenses incurred in the renting of the property, among others, salary, commissions or fees paid, property tax, repairs and general maintenance, depreciation subject to inflation adjustments, insurance premiums and mortgage interests (amount adjusted by inflation). Individuals should keep all the original receipts of the expenses, to avoid any challenge by the Mexican tax authorities. Receipts should comply with Mexico tax requirements (there are tax requirements for documents issued in Mexico and other ones for documents issued abroad).

A standard deduction of 35% from the gross rental income, together with the amount paid as property tax is available for those taxpayers who do not have proof of their expenses or whose total allowable expenses are lower that 35% of the gross rental income.

If the deductions considered originate a loss, this can be offset against other taxable income, except employment and business income.

Non-residents are obligated to pay Mexican income taxes only if the property is in Mexico. The tax should be determined by applying a 25% to the rental gross income with no allowed deductions.

Gains from stock option exercises

The spread at exercise is considered taxable, that is the difference between the fair market value of the shares at exercise, less the price paid to exercise the options.

Residency status	Taxable at:		
	Grant	Vest	Exercise
Resident	N	N	Y
Non-resident	N	N	Y/N

Principal residence sale

In general, profits from the sale or transfer of property are taxable for resident individuals.

The gain from the sale of a resident taxpayer's principal residence is non-taxable; however, there are certain conditions that should be met, as described below:

- The sale price should not exceed 700,000 UDI (unidad de inversion/price-level adjusting unit), which is approximately MXP6,090,000, and the transaction is formalized using a public notary.
- If not fully exempt, the taxable gain should be determined by reducing the sale price (excess over the limit above) by the authorized deductions set for in the Mexican Tax Law. The deductions should be considered in the proportion resulting from dividing the excess over the sales price by the total sales price.

The exemption only applies if the taxpayer did not sell another principal residence during the past three years and obtained said exemption. The public notary should verify with the Mexican tax authorities if the taxpayer already sold his/her principal residence during the preceding three years. In case the exemption applies, the public notary should notify the Mexican tax authorities.

If taxable, principal residence gain for resident individuals is calculated by reducing the sales price by authorized deductions. Principal residence gain should be divided by the number of years the property was held (limited to 20 years). The result (includable portion) should be added to taxable income earned during the year and taxed at ordinary progressive tax rates. The difference between the total gain and the includable portion should be taxed at the individual's effective tax rate (additional tax). The effective rate is calculated by dividing the income tax for the year by the total taxable income for the year.

Principal residence loss should be divided by the number of years the principal residence was held (limited to 10 years). The result (deductible loss) can be offset against other taxable income, except employment and business income. The difference between the total loss and the deductible loss could offset the tax resulting for other gains on sales.

Non-residents are obligated to pay Mexican income taxes only if the property is located in Mexico. The tax should be determined by applying a 25% the total gross income.

Personal use items

Personal use items provided by the employer to the employee to perform their duties are non-taxable.

Gifts

Usually, non-taxable.

Other

The following events are considered exempt for tax residents:

- Transfer of ownership by reason of death.
- Donations/gifts between spouses or direct ascendants or descendants, regardless of the amount thereof.

- Donations of property received by ascendants from their descendants, provided that the property received is not sold or donated by the ascendant to another direct descendant, with no limit as to degree.
- Other donations/gifts are also exempt provided that the total value received in a calendar year does not exceed three times the yearly UMA (unidad de medida y actualizacion/unit of measurement and update) which is approximately MXP128,384. Tax should be paid on the excess thereof.
- Profits on sales of movable property different than shares, stock, and securities (e.g., car), up to an annual amount not exceeding three times the yearly UMA (unidad de medida y actualizacion/unit of measurement and update) which is approximately MXP128,454. Tax should be paid on the excess.

2.11 Additional capital gains tax (CGT) issues and exceptions

Are there additional capital gains tax (CGT) issues in Mexico? If so, please discuss?

No.

Are there capital gains tax exceptions in Mexico? If so, please discuss?

No.

Sale of shares

Capital gains on the sale of shares are taxable for resident individuals and the taxable portion is the difference between the sales proceeds and the cost basis (updated by inflation). The cost basis should be converted to Mexican pesos using the exchange rate applicable at acquisition date and comparing it vs the sales price in Mexican pesos using the exchange rate of the sale date, therefore there could be an "exchange gain" factor if Mexican pesos exchange rate is higher at the sale date.

The includable portion of the capital gain should be added to the other income earned by the individual during the year and taxed at ordinary progressive tax rates. The includable portion of the gain equals the total gain divided by the number of years the share was held (limited to 20 years). The difference between the total gain and the includable portion is taxed at the individual's effective tax rate for the year.

Capital loss should be divided by the number of years the share was held (limited to 10 years). The result (deductible loss) can be offset against other taxable income, except from employment and business income. The difference between the total loss and the deductible loss could be offset against the tax resulting from other gains on sales.

Non-residents are obligated to pay taxes if the shares are issued by a resident of Mexico, or the accounting value of the shares derives in more than 50% from property located in Mexico. The tax should be determined by applying a 25% of the total gross income.

Sale of certain shares

A 10% tax should be paid by resident individuals on gains derived from the sale of:

- Shares issued by Mexican or foreign companies when sale is made in the Mexican Stock Exchange.
- Shares issued by Mexican companies when sale is made in Stock Exchanges from recognized markets with countries that have a Tax Treaty to avoid double taxation with Mexico.

The corresponding taxes should be paid along with the filing of the Mexican annual income tax return.

The taxable income is the difference between the sales proceeds and the cost basis (updated by inflation). The cost basis should be converted to Mexican pesos using the exchange rate applicable at acquisition date and comparing it vs the sales price in Mexican pesos using the exchange rate of the sale date, therefore there could be an "exchange gain" factor if Mexican pesos exchange rate is higher at the sale date.

Non-resident individuals are required to pay a 10% tax on sale of shares issued by Mexican or foreign entities through the Mexican Stock Exchange. The taxable income is the difference between sales proceeds and the cost basis (updated by inflation). The tax should be withheld by the intermediary and paid on or before the 17th day following the month of sale.

The payment of the non-resident tax will not be applicable when the taxpayer is a tax resident of a country that has in place a Double Tax Treaty with Mexico and delivers to the intermediary a letter declaring under oath, that is a tax resident under the effects of the tax treaty and provide his/her tax ID number issued by the tax authority of the said country. If the individual does not file this letter, the intermediary should withhold and remit the corresponding tax.

2.12 General deductions from income

What are the general deductions from income allowed in Mexico?

In arriving to taxable income, certain exemptions and deductions are allowed.

Exemptions

Exemption for resident individuals includes the following:

- 30 days of minimum wage for annual Christmas bonus
- 15 days of minimum wage for profit sharing
- 15 days of minimum wage for vacation premium pay
- Partial exemptions for overtime, pension, and severance payments.

Deductions

Deductions for resident individuals include the following:

- Medical, dental, hospital, nutritionist and psychologist expenses paid in Mexico by check, wire transfer, credit card or debit card by the individual for him/her or for his/her family dependents, not reimbursed by insurance. (1)
- Funeral expenses paid in Mexico by the individual or for him/her or his/her dependents, limited to an annual minimum wage. (1)
- Authorized charitable donations made, under certain limitations. (1)
- School transportation paid in Mexico by check, wire transfer, credit card or debit card for the individual's children, if mandatory. (1)
- Private medical insurance premiums paid in Mexico by the individual that benefit him/her or his/her economic dependents. (1)
- Mortgage interest paid in Mexico adjusted by inflation for principal residence (under certain limitations). (1)
- Supplementary and voluntary contributions paid in Mexico to the national retirement savings system or to retirement personal accounts (under certain limitations). (2)
- Local income tax on salaries if imposed by the Mexican state in which the taxpayer resides as long as the local income tax rate does not exceed 5%.
- School fees paid in Mexico by check, wire transfer, debit or credit card. The deduction is limited to the following annual amounts: kindergarten – MXP14,200, elementary – MXP12,900, junior high – MXP19,900, technical high school – MXP17,100, high school MXP24,500.
- Itemized deductions (with certain adjustments) relating to rental, business, and independent services income.

The deductions will apply in the annual income tax return if the receipts comply with the requirements established by the Mexican Tax Law.

(1) The total deduction on the aggregate of such items should not exceed the lesser amount between 15% of the individual's total income or five times the yearly UMA (unidad de medida y actualizacion/unit of measurement and update) which is approximately MXP213,973.20 for 2026.

(2) This deduction should not exceed the lesser amount between 10% of the individual's total income or five times the yearly UMA (unidad de medida y actualizacion/unit of measurement and update) which is approximately MXP213,973.20 for 2026.

2.13 Tax reimbursement methods

What are the tax reimbursement methods generally used by employers in Mexico?

- Tax reimbursements are considered taxable income for the individual when the tax payments are covered by the employer. The gross-up tax procedure is the method generally used by Mexican employers.

2.14 Calculation of estimates/prepayments/withholding

In general, Mexican income taxes are paid on earned income, PAYE.

Mexican income taxes which are due on employment income should either be:

- Withheld at source and remitted to the Mexican tax authorities, or
- Paid over through monthly tax filings made by the individual.

To determine the correct method to be used, the corporate cost allocation structure should be analysed, as follows:

- When compensation is paid by Mexico or from abroad, but the cost is charged-back to a Mexican company and reflected in the Mexican payroll, the tax obligation will be satisfied via tax withholdings. Under this scenario, the Mexican employer should determine the individual's monthly tax liability and remit the corresponding taxes to the Mexican tax authorities. A salary expense deduction could be claimed on a corporate level if the relevant requirements are met.
- When compensation is paid from abroad (foreign company that is not a resident for tax purposes in Mexico and does not have a permanent establishment in Mexico) and the cost is not charged back to a Mexican company and as such, not reflected on the Mexican payroll, the individual will be required to file monthly tax returns through the Internet by wiring the tax amount due from his/her personal Mexican bank account.
- When an individual's compensation is paid by a Mexican company, but the cost of such compensation is recharged to a foreign company, the Mexican company is not obliged to withhold and remit the Mexican income taxes due on the compensation. In this case the individual is obliged to remit the Mexican income taxes associated with his compensation by filing monthly tax returns. A salary expense deduction should not be claimed by the Mexican company as it will have been reimbursed for the cost of the compensation.

The way the taxes should be calculated will depend on the residence status of the individual in Mexico.

Note: please refer to exemption conditions for non-resident individuals included in the "Tax Rates" section.

When are estimates/prepayments/withholding of tax due in Mexico?

Monthly tax returns and withholdings for resident individuals are due by the 17th day of the following month in which the compensation was paid. Additional days are granted to file individual monthly tax returns depending upon the individual's Tax ID number.

Non-resident tax returns should be paid within 15 days following the receipt of the income unless a Mexican company or a foreign company with a permanent establishment in Mexico is obligated to withhold the tax.

As stated previously, non-resident individuals obligated to pay non-resident taxes could also remit the income tax via the following alternatives:

- Through withholdings by the person or company resident in the foreign country that makes the salary payments. Such person or company should be registered as a withholding agent before the Mexican tax authorities.
- Through remittance of the income tax by the company resident in Mexico in which facilities the subordinated personal services are rendered.
- Through remittance of the income tax by the representative of the non-resident individual.

  For the above options and when the Mexican company or foreign company with a permanent establishment in Mexico is obligated to withhold the non-resident tax, the due date is the 17th day of the following month in which the compensation was received.

2.15 Relief for foreign taxes

Is there any Relief for Foreign Taxes in Mexico? For example, a foreign tax credit (FTC) system, double taxation treaties, and so on?

Mexico has entered Tax Treaties with various countries to avoid double taxation. Furthermore, Mexican tax residents are entitled to credit income tax paid abroad on foreign- sourced income, subject to certain limitations, provided this income is subject to Mexican income tax.

2.16 General tax credits

What are the general tax credits that may be claimed in Mexico? Please list below.

Taxes withheld, monthly individual income tax advances, foreign tax credit on income tax from current year and from overpayments not claimed from previous years.

2.17 Sample tax calculation

This calculation assumes a married taxpayer resident in Mexico with two children whose three-year assignment begins 1 January 2023 and ends 31 December 2025. The taxpayer's base salary is USD100,000 and the calculation covers three years.

	2023 USD	2024 USD	2025 USD
Salary	100,000	100,000	100,000

	2023 USD	2024 USD	2025 USD
Bonus	20,000	20,000	20,000
Cost-of-living allowance	10,000	10,000	10,000
Housing allowance	12,000	12,000	12,000
Company car	6,000	6,000	6,000
Moving expense reimbursement	20,000	0	20,000
Home leave	0	5,000	0
Education allowance	3,000	3,000	3,000
Interest income from non-local sources	6,000	6,000	6,000

Exchange rate used for calculation: USD1.00 = MXP17.50

Other assumptions

- All earned income is attributable to local sources except interest income.
- Bonuses are paid at the end of each tax year and accrue evenly throughout the year.
- The company car is used for business purposes.
- The employee is deemed resident throughout the assignment.
- Tax treaties and totalization agreements are ignored for the purpose of this calculation.
- There are no personal deductions.

Calculation of taxable income.

Year ended	2023 MXP	2024 MXP	2025 MXP
Days in Mexico during year	365	366	365
Earned income subject to income tax			
Salary	1,750,000	1,750,000	1,750,000
Bonus	350,000	350,000	350,000
Cost-of-living allowance	175,000	175,000	175,000
Net housing allowance	210,000	210,000	210,000
Company car*	0	0	0
Moving expense reimbursement**	0	0	0
Home leave	0	87,500	0
Education allowance	52,500	52,500	52,500
Total earned income	2,537,500	2,625,000	2,537,500

Year ended	2023 MXP	2024 MXP	2025 MXP
Other income***	105,000	105,000	105,000
Total income	2,642,500	2,730,000	2,642,500
Deductions	0	0	0
Total taxable income	2,642,500	2,730,000	2,642,500

* The Mexican Tax Law allows a corporate tax deduction for company cars under certain limitations, without being considered as a taxable item for the employee, when the company car is granted to the employee to properly carry out his/her duties. The corporate tax deduction is limited up to MXP175,000. In case the value of the company car provided exceeds this amount, the deduction will be limited to this amount. KPMG in Mexico is assuming that the company car is exempt.

** Moving expense reimbursements, when claimed as/expensed for business corporate purposes, are non-taxable for the individual. KPMG in Mexico is assuming that the moving expenses in this calculation are exempt.

*** Assuming that the amount above is the taxable income calculated based on Mexican Tax Law and includes foreign exchange gains or losses.

Calculation of annual tax liability

	2023 MXP	2024 MXP	2025 MXP
Taxable income as above	2,642,500	2,730,000	2,642,500
Mexican tax liability	779,417	809,167	779,417
Less:			
Foreign tax credits****	0	0	0
Total Mexican tax	779,417	809,167	779,417

**** Assuming no taxes were paid abroad on non-Mexican source income.

FOOTNOTE

1 Certain tax authorities adopt an "economic employer" approach to interpreting Article 15 of the OECD model treaty which deals with the Dependent Services Article. In summary, this means that if an employee is assigned to work for a company in the host country for a period of less than 183 days in the fiscal year (or, a calendar year of a 12-month period), the employee remains employed by the home country employer but the employee's salary and costs are recharged to the host company, then the host country tax authority will treat the host company as being the "economic employer" and therefore the employer for the purposes of interpreting Article 15. In this case, Article 15 relief would be denied and the employee would be subject to tax in the host country.

2 Sample calculation generated by KPMG Cardenas Dosal S.C., the Mexican member firm of KPMG International, based on the Mexican Tax Law.

03

Special considerations for short term assignments

3 Special considerations for short-term assignments

For the purposes of this publication, a short-term assignment is defined as an assignment that lasts for less than one year.

3.1 Residency rules

Are there special residency considerations for short-term assignments?

Short-term assignees could be considered non-residents by not establishing a place of abode (home) or in case a place of abode is established but a home is maintained in another country their center of vital interest is not in Mexico. Non-residents could be totally exempt of Mexican income taxes when certain conditions are met or be taxed on lower tax rates on their Mexican-sourced income only. As non-residents, the short-term individual will not be subject to file a Mexican annual income tax return and the tax payments made during the year are considered as definitive or final.

3.2 Payroll considerations

Are there special payroll considerations for short-term assignments?

It depends whether the short-term assignee will be considered as a non-resident or a resident for Mexican tax purposes. Please refer to the applicable sections.

3.3 Taxable income

What income will be taxed during short-term assignments?

It depends on the residence status of the short-term assignee. If a tax resident, then the individual is taxed on his/her worldwide income. If a non-resident, then the individual is taxed on Mexican-sourced income.

3.4 Additional considerations

Are there any additional considerations that should be considered before initiating a short- term assignment in Mexico?

Consideration on whether the salaries will be charged-back to the Mexican company and the estimated length of the assignment, as the individual could be totally exempt for Mexican income taxes when qualifying as non-resident.

04

Other taxes and levies

4 Other taxes and levies

4.1 Social security tax

Are there social security/social insurance taxes in Mexico? If so, what are the rates for employers and employees?

Employer and employee

Foreigners who work for Mexican employers are subject to Mexican social security contributions when an employment relationship is deemed to exist in Mexico. Such relationship is deemed to exist in Mexico when the employee's activities are supervised, controlled, or governed by a Mexican employer.

These are based on several components where the salary cap is 25 times the UMA index (2026 UMA is MXP 117.31 per day). The contributions are calculated based on the following percentages, and subject to the capped salary:

Type of insurance	Paid by employer	Paid by employee	Total
Social security (IMSS)*	14.297% to 28.797%	2.727%	17.024% to 31.524%
Retirement fund (SAR)	2.00%	0.00%	2.00%
Housing fund (INFONAVIT)	5.00%	0.00%	5.00%
Total	**21.297% to 35.797%**	**2.727%**	**24.024% to 38.524%**

* The above rates represent the effective rates for individuals with a capped salary in 2026. The employer contribution will depend on each employer's risk classification.

Mexico has entered into formal duly signed social security Totalization Agreements only with two countries: Spain and Canada.

There are no provisions for foreign employees working in Mexico under a contract with a foreign employer and with no Mexican employer. In such cases, although the employee could be deemed to be subject to Mexican social security contributions, it may be argued that there would be no basis to calculate such contributions (no salary borne in Mexico) and no vehicle to remit them (no Mexican employer). Thus, Mexican social security contributions would not be applicable under this approach.

4.2 Gift, wealth, estate, and/or inheritance tax

Is there any gift, wealth, estate, and/or inheritance taxes in Mexico?

Mexico does not levy inheritance, gift taxes, or levy wealth taxes.

4.3 Real estate tax

Are there real estate taxes in Mexico?

A local tax is imposed on transfers of real estate or similar operations by which property or rights thereto are transferred. The rate depends on the state where the property is located.

4.4 Sales/VAT tax

Are there sales and/or value-added taxes in Mexico?

Yes, the VAT rate is 16%.

0% VAT on certain limited acts or activities.

4.5 Unemployment tax

Are there unemployment taxes in Mexico?

There are no taxes imposed on unemployment. However, the Social Security Law contemplates unemployment payments.

4.6 Other taxes

Are there additional taxes in Mexico that may be relevant to the general assignee? For example, customs tax, excise tax, stamp tax, and so on.

Local taxes

There are no local taxes imposed on income of individuals in Mexico. However, in certain states, payroll taxes are imposed and paid by employers. Payroll taxes, where imposed, rank from 2% to 4.25%.

Transfer taxes

Mexico does not levy transfer taxes at the federal level. However, a local tax is imposed at local level for transfers of real property. Please refer to the Real estate tax section.

Foreign Financial Assets

Is there a requirement to declare/report offshore assets (e.g., foreign financial accounts, securities) to the country/territory's fiscal or banking authorities?

An Information Return applies in Mexico in case an individual qualifying as tax resident:

- Has income subject to a preferential tax regime
- Has income from territories listed by Mexican Tax authorities as "Tax Havens"
- Performs operations through pass-through entities or "foreign figures" (e.g., Trusts, Mutual Funds)

This Information Return should be filed no later than May 31 of the following year. Not filing this Information Return but having received income from territories considered as Tax Havens or performing operations through foreign figures or pass-through entities will presume individual has income from a preferential tax regime. Furthermore, not filing this Information Return but having income from preferential tax regimes is considered by the tax authorities as a tax offense.

05
Immigration

5 Immigration

This is a general overview that provides basic information regarding business visits and work authorization for Mexico for individuals. The information is of a general nature and should not be relied upon as legal advice.

The Authority for Immigration procedures in Mexico is the National Immigration Institute (INM, Instituto Nacional de Migracion).

There are three types of visas according with the individual's activities:

1. Business visitor
2. Temporary resident working permit visa
3. Temporary resident non lucrative visa

5.1 International Business Travel/Short-Term Assignments

Describe (a) which nationalities may enter Mexico as non-visa national, (b) which activities they may perform and (c) the maximum length of stay.

For business travelers or short-term assignments, the immigration status will be likely the business visitor. This migratory status is for those foreigners with intend to carry out activities on behalf a non-Mexican company for transactions, represent shares, vote on shareholders meetings, investment, take or participate in courses, or any legal activity in which they do not receive payments from a Mexican company.

The nationalities that need visa to enter Mexico are mentioned in the following link:

Países y regiones que requieren visa para viajar a México | Instituto Nacional de Migracion (inm.gob.mx)

Describe (a) the regulatory framework for business travellers being visa nationals (especially the applicable visa type), (b) which activities they may perform under this visa type and the (c) maximum length of stay.

From an immigration perspective in Mexico, business visitors must generally limit their activities to the following:

- Attending meetings and negotiations, preparing contract offers, signing contracts and supervising the implementation of contracts for an employer outside Mexico.
- Attending internal business meetings or discussions.
- Attending or holding internal seminars or trainings.
- Establishing, auditing, or steering a company in Mexico for an employer outside Mexico.
- Participating in expositions to present and sell company products, buying goods for sale outside the country.
- Testing or receiving training for use of equipment and facilities purchased by the employer with a commercial company outside Mexico.
- Touring a company facility.
- Attending a trade show or seminar convention.

Outline the process for obtaining the visa type(s) named above and describe (a) the required documents (including any legalization or translation requirements), (b) process steps, (c) processing time and (d) location of application.

The individual will receive the business visitor status at the port of entry that needs to be downloaded at the web site of the INM (INM Portal) ; and the immigration authority will grant the Multiple Migratory Form (FMM-E, Forma Migratoria Multiple Electronica), including the days authorized to stay in Mexico as a business visitor. Maximum stay is 180 days, but this depends on the criteria of the immigration agent at the port of entry who will require a brief explanation of the activities that the individual will perform, where he/she should confirm that is an employee of a foreign company.8 In most of the cases the authority will only ask the length of the visit and the place where individual will be staying.

In order to obtain business visitor status, individuals require:

- Valid passport with more than 6 months of validity
- Round flight ticket
- Hotel reservation
- A letter from the foreign company supporting the visit to Mexico
- Economic means of minimum $200 USD plus credit or debit cards

The business visitor individual will not be allowed to receive any type of salary, remuneration or payment from a Mexican company.

For the Colombian citizens, a registration before the travel and landing will be mandatory.

Are there any visa waiver programs or specific visa categories for technical support staff on short-term assignments?

There are no waiver programs or specific visa categories for technical support staff on short-term assignments. However, for business visitors' individuals that have a restricted nationality which require a visa to enter to Mexico, there is an exemption to enter without such Mexican Visa when individual:

- Holds any type of valid and multiple entry US, Canada, Japan, United Kingdom or Schengen visas (any nationality)

- Has a permanent residence visa of the US, Canada, Japan, United Kingdom, Schengen, Pacific Alliance (Colombia, Chile)

This is not applicable on temporary residence visa holders of the US, Canada, Japan, United Kingdom, Schengen, Pacific Alliance (Colombia, Chile). Holders of this type of temporary visa must apply for a Mexican visa on any of its categories.

5.2 Long-Term Assignments

What are the main work permit categories for long-term assignments to Mexico? In this context, please outline whether a local employment contract is required for the specific permit type.

Work permit categories that will likely apply for long-term assignments in Mexico are:

- Temporary resident working permit visa, when individual will receive part of his/her total compensation from a Mexican payroll or when compensation is charged-back to a Mexican company.

- Temporary resident non lucrative visa, when individual will not receive compensation from a Mexican payroll.

Provide a general process overview to obtain a work and residence permit for long- term assignments (including processing times and maximum validation of the permit).

Prior to obtain a working permit, the Mexican company must have its Company registry before the INM to hire foreigners in Mexico. This Company registry is subject to annual renewals or updates when changes happen on corporate information such as change of address, legal representatives (add or remove).

The processing time will be:

1. Complete draft letters and applications forms (1 - 3 business days)
2. Submit the application at the INM office (10 – 15 business days)
3. Outcome of the application (1 – 20 business days)
4. Schedule appointment at a Mexican Consular Representation (1 - 7 weeks, depending on the availability of the Mexican Consular Office)
5. Interview and stamped visa at the Mexican Consulate (1 – 10 days, employee attendance is mandatory)
6. Arrival to Mexico to exchange the stamped visa for the final document (1 - 2 weeks, employee attendance is mandatory)
7. Schedule appointment at the INM for the fingerprint's appointment (1 - 15 business days, KPMG team can assist)
8. Obtaining the final document on the appointment date at the INM (1 - 3 days, employee attendance is mandatory)

It should be taken into consideration that processing time may vary.

The Mexican company must confirm:

- Job position
- Description of activities
- Monthly salary
- Length of assignment

Initial work permit can be requested for 1 year and renewals for 1, 2 or 3 years.

Is there a minimum salary requirement to obtain a long-term work and residence permit for assignments? Can allowances be considered for the salary?

The recommendation is minimum a monthly salary of MXP30,000. Letter provided by the Mexican company should confirm this, where it is not requested to disclose whether it refers to allowances.

Is there a fast-track process which could expedite the visa/ work permit?

The opportunity to reduce time could be at the interview at Consulate stage, where you can look which Consulate has more availability to stamp the visa after having completed the interview; nevertheless there is no "fast-track" process available.

At what stage is the employee permitted to start working when applying for a long-term work and residence permit (assignees/ local hire)?

Employee is permitted to start working once he/she obtains the work permit card. This can be achieved after employee obtains the visa stamped and goes to the INM in Mexico for the exchange process to receive his/her temporary resident card with work permit.

For individuals that have already a work permit, but change of employer, they are allowed to start working but they will need to notify the change of employer at the immigration offices within 90 days following to the new employment starts (note Mexican company should have their registry updated at INM).

Can a short-term permit/ business visa be transferred to a long-term permit in Mexico?

No, the business visitor visa cannot be switched to a work permit. It will be necessary to apply for a work permit under the process mentioned.

Is it possible to renew work and residence permits?

Yes, the renewals can be for 1, 2 or 3 years.

Is there a quota or system or a labour market test in place?

The Mexican company can have 90% of Mexican employees and 10% of foreign employees.

5.3 General Immigration Related Questions

Would it be possible to bring family members to Mexico?

Yes, the family bond is recognized in Mexico.

Is it possible to obtain a permanent residence permit?

Yes, in the following options:

- After living 4 years as a temporary resident status.
- After 2 years of been married with a Mexican citizen.
- Immediately if individual has a Mexican child.

What if circumstances change after the Work and Residence application process?

Changes could be related to address, employer, name, nationality or marital status, in which case these should be notified to INM within the following 90 days after the change occurred.

If the individual leaves Mexico definitely and is holder of a permanent or temporary status visa, it is suggested that the Mexican company notifies his/her exit of to avoid inconveniences.

How long can a permit holder leave Mexico without their permit becoming invalid?

If the work permit card expires for more than 55 days when individual is out of Mexico, the work permit will be cancelled.

If the individual has a permanent status visa, he/she can keep the work permit after leaving the country, but it is suggested that Mexican company notifies to immigration authorities the individual is no longer its employee.

Must immigration permissions be cancelled by the end of the assignment/employment?

In practice, most of the Mexican companies cancel the work permit of their employees to avoid inconveniences.

Are there any penalties for individuals and/or companies in place for non-compliance with immigration law?

Yes, there could be a fine when the individual does not inform the immigration authorities on the following changes within 90 days after the change occurs:

- Address
- Marital status
- Nationality

- Name
- Job / employer position
- Work permit card not renewed on time

Other Important Items

Once the individual holds a work permit card, he/she should present it, along with the corresponding passport, each time he/she enters or leaves Mexico. If work permit card is lost, individual must notify immigration authorities and ask for a replacement.

FOOTNOTE

[1.] The Immigration Authority has an open criterion, in some cases they could ask for additional information, also the submission logistics are defined by each local immigration office per state.

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