

## COUNTRY PROFILE



## Mexico

## Tax overview

Corporate Income Tax	30%
Personal Income Tax	35%, progr.
Gift Tax	None
Inheritance Tax	None
Wealth Tax	None

**Corporate Income Tax (CIT)**

Corporations with mind and management in Mexico are subject to corporate tax on worldwide income at a rate of 30%.

**Personal Income Tax**

Mexican residents are subject to tax on worldwide income on progressive rates up to 35%. Mexico does not impose gift tax on direct-line donees or inheritances. Mexico does not impose wealth tax.

**Anti-Avoidance Rules**

Mexico has General Anti Avoidance Rules (GAARs) which allow tax authorities to re-characterize transactions lacking a business purpose. In addition, Mexico has Transfer Pricing rules, Thin Capitalization rules, and Controlled Foreign Corporation (CFC) rules, below.

**Anti-Avoidance Rule**

A foreign corporation with more than 20% passive income is a CFC if it is controlled by Mexican residents. The control test includes: holding more than 50% of shares by voting rights or value, or holding veto power; having a right to more than 50% of the CFC's capital or earnings in the event of capital reduction or liquidation. Mexican residents with passive income through CFCs are subject to tax on the undistributed profits of the CFC.

The CFC regime is applicable only to non-transparent CFCs which pay tax at rates less than 75% of the Mexican corporate rate, that is less than 22.5% for corporations or less than 26.25% for individuals.

**Foreign Transparent Entities/Vehicles**

Foreign transparent entities are defined as entities with legal personality not subject to tax whose income is attributed to its members, shareholders, partners, etc. (e.g., transparent LLC), and foreign legal figures ("figuras") such as vehicles that lack legal personality (e.g. trusts).

Under Art. 4-A of the LISR, foreign transparent entities and foreign legal figures that receive payments from Mexico are treated as non-transparent, and if they have their effective place of management in Mexico, they are taxed as Mexican resident entities. Under Art. 4-B, Mexican residents with income generated through foreign transparent entities or foreign legal figures are subject to tax on the undistributed profits of the entity or vehicle (except those addressed in 205 of the LISR). Control is not relevant.

**Foreign Investment Protection**

Mexico has agreements for the protection of investments that provide for international arbitration in the event of expropriation, with a number of countries, including Luxembourg, Netherlands, Panama, Singapore, Spain, Switzerland, the US, the UK, and Uruguay.

**Double Tax Treaties (DTTs)**

Mexico has DTTs with Barbados, Canada, Hong Kong, Ireland, Luxembourg, Malta, Netherlands, Panama, Singapore, Spain, Switzerland, UAE, UK, US and Uruguay, and other jurisdictions.

**OECD Multilateral Convention**

Mexico is a signatory to the OECD Multilateral Convention on Mutual Administrative Assistance in Tax Matters. The Convention requires exchange information "on request," and authorizes exchange spontaneously and automatically.

**Common Reporting Standard (CRS)**

Mexico has adopted CRS for the automatic exchange of account information, and has executed the Multilateral Competent Authority Agreement (MCAA) for CRS implementation.

**FATCA**

The US has a FATCA Model 1 IGA with Mexico, for the automatic exchange of account information.

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