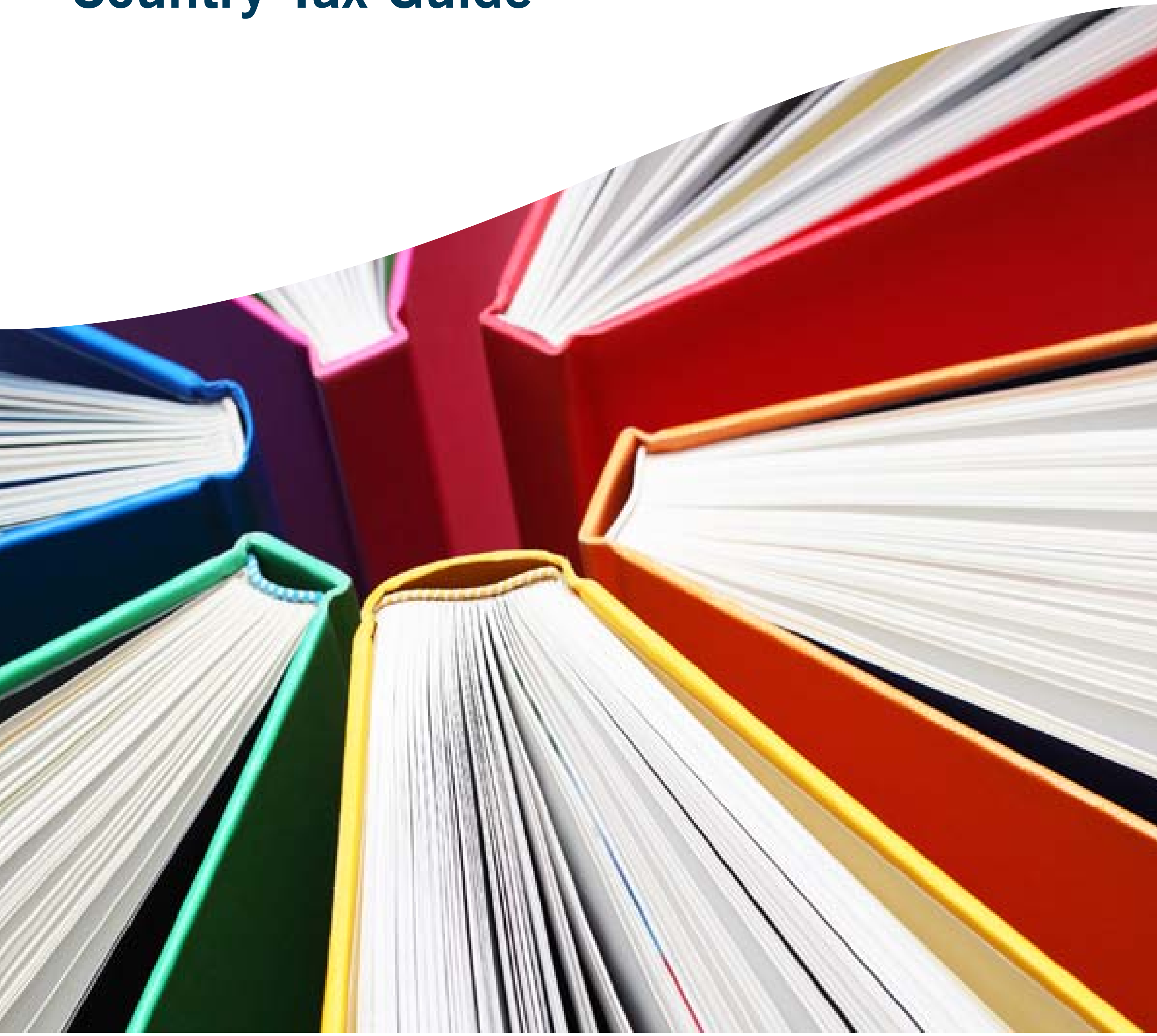
Country Tax Guide



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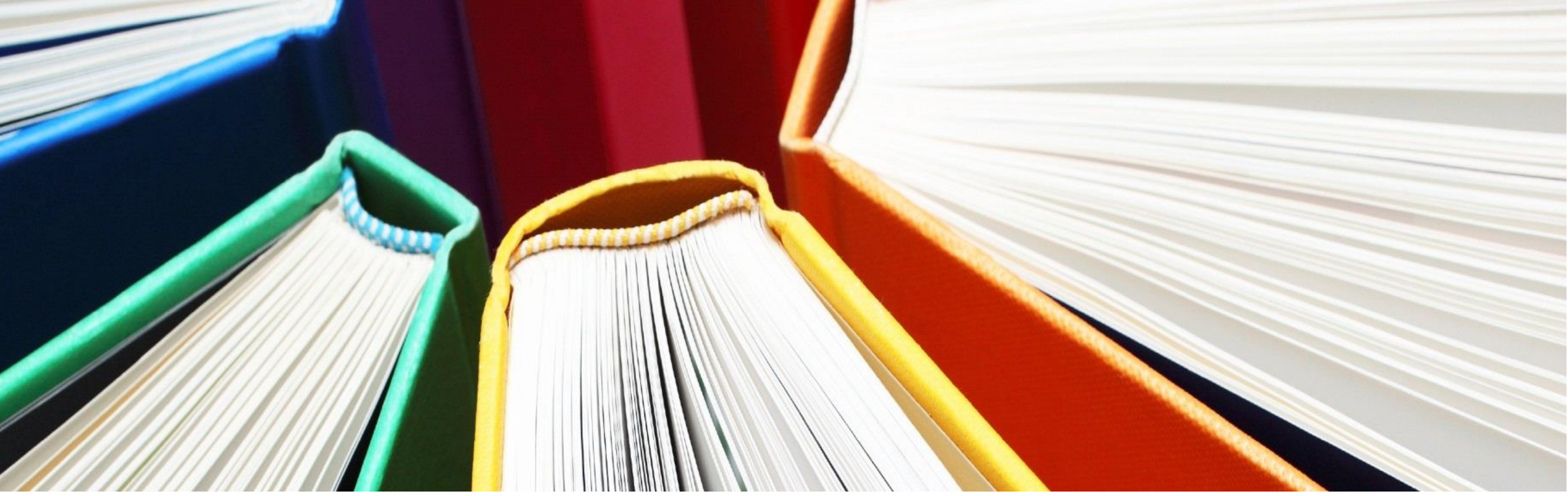

Mexico

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Facts and figures as presented are correct as at 29 June 2015.

Corporate Income Taxes

Resident companies are taxed on their worldwide income. A company is resident in Mexico if its principal administration or place of effective management is in Mexico.

Other companies are taxed on their income from sources in Mexico, subject to the terms of any relevant double tax treaty.

The corporate income tax rate is 30%.

Capital gains are generally taxed at the same rate as other profits. Capital gains derived by Mexican tax resident individuals and non-residents from the transfer of publicly traded stock (through the Mexican stock exchange or through another publicly recognised stock exchange) are generally subject to a 10% withholding tax.

Losses may be carried forward for relief against future profits for up to 10 years (certain limitations may apply in cases of merger). There is no provision for losses to be relieved against the profits of earlier years and sale of shares. Losses may be adjusted for inflation by a specific formula set forth in the income tax law.

There is an optional taxation regime for corporate groups. Corporate groups (made up of the integrator and integrated companies (as defined)) are permitted to file consolidated tax returns provided that the residency requirement is met, stock ownership requirements are met and a proper election is made. The optional regime allows a three-year income tax deferral period, payable by each of the entities integrating the group, provided the companies meet certain requirements.

The tax year in Mexico is generally the calendar year. Corporate taxpayers are generally required to make provisional tax payments on the 17th day of each month immediately following the month to which the payment corresponds. Provisional payments are not required for the first year of operations. An annual income tax return for each calendar year must generally be filed no later than 31 March of the following year, and any balance of tax due must be paid at that time.

Personal Taxes

Resident individuals are subject to income tax on their worldwide income.

Non-resident individuals are subject to income tax on their income from sources in Mexico, subject to the terms of any relevant double tax treaty.

Residents are taxed at progressive rates up to 35% on taxable income (that has been reduced by any applicable deductions and credits) according to the following table:

Taxable Income Lower Limit (MXN)	Taxable Income Upper Limit (MXN)	Fixed Amount (MXN)	Percentage to be Applied Over Excess
0.01	5,952.84	0	1.92
5,952.85	50,524.92	114.24	6.40
50,524.93	88,793.04	2,966.76	10.88
88,793.05	103,218.00	7,130.88	16.00
103,218.01	123,580.20	9,438.60	17.92
123,580.21	249,243.48	13,087.44	21.36
249,243.49	392,841.96	39,929.04	23.52
392,841.97	750,000.00	73,703.40	30.00
750,000.01	1,000,000.00	180,850.82	32.00
1,000,000.01	3,000,000.00	280,850.81	34.00
3,000,000.01	And above	940,850.81	35.00

Non-residents are taxed on employment income at a rate that varies from 15% to 30%. The first MXN125,900 of employment income received by a non-resident in a 12-month period is tax exempt.

Capital gains are taxed at the same rate as income. There is an exception for publicly traded shares, including financial derivatives, which are taxed at a 10% rate.

Generally, the tax year is a calendar year. Individuals who derive income in a calendar year must file tax returns (subject to exceptions, such as an exception for exempt income) and typically make estimated tax payments monthly. The final tax is due on 30 April.

There are no inheritance, gift or wealth taxes in Mexico.

Employment Related Costs and Taxes

Fringe benefits

Fringe benefits (called social welfare expenses) are expenditures made with the purpose of satisfying present or future contingencies or needs and to grant benefits to workers for the purpose of their physical, social, economic or cultural development, enabling the improvement of their quality of life. Fringe benefits include items such as savings funds, life and medical insurance and pensions. To be deductible by the employer, the benefit must be available to all of the employer’s employees (there are special rules for unionised workers). Social welfare benefits are generally exempt from the income of the employee. The deduction for non-taxable wages and certain non-taxable benefits provided to employees is limited to 53% of the cost of such non-taxable wages and benefits. However, if the number of different types of non-taxable benefits of the previous tax year is reduced in the following tax year, then the deduction is limited to 47% instead of 53%.

Social security costs

Employers and employees are required to make monthly contributions to the social security system. The contributions are calculated on the basis of the employee's earnings, subject to a maximum base of 25 times the general minimum salary. Social security contributions paid by employers are deductible.

Compulsory profit sharing

Every business with employees is generally required to distribute a portion of its annual profits among its employees (excluding directors and managers). The amount distributable to employees is 10% of adjusted taxable income.

Generally, the amount distributed is fully deductible, provided certain requirements are met. A company in its first year of operations is not required to share its profits with its employees, and special rules may apply to certain companies.

Payroll taxes

State governments impose payroll taxes at varying rates, generally between 2% and 3% of gross salaries.

Withholding Taxes on Payments Abroad

There is a 10% withholding tax on dividends distributed to foreign residents (including foreign corporations).

Interest payments are generally subject to withholding tax rates of 4.9%, 10%, 15%, 21% or 35% depending on the circumstances and subject to exemptions. Residents of tax havens are generally subject to a 40% withholding rate, especially when operations between related parties are carried out.

The withholding tax rate for royalties ranges from 5% to 35%. Residents of tax havens are subject to a 40% withholding tax rate, especially when operations between related parties are carried out.

These rates may be reduced for payments made to recipients in countries with which Mexico has a double tax treaty.

Value Added Tax (VAT)

VAT is levied on the sale of goods, leasing and the provision of services as well as imports. The general VAT rate is 16%. A 0% rate also applies to food, medicine and certain other items, subject to exceptions. There are also VAT exempt transactions, which include, but are not limited to, the sale of land, books, used personal property, partnership interests, credit instruments, residential construction, medical services and educational services, provided specific requirements are satisfied.

There is no VAT registration threshold. In computing the VAT liability, input VAT may generally be credited against output VAT.

Foreign residents visiting Mexico could get back VAT paid during their stays in Mexico under certain rules.

Exports of goods are taxed at a 0% tax rate.

Certain services rendered to abroad and listed by the VAT law are taxed at 0%, but certain requirements must be complied with.

Imports of goods into Mexican territory could be subject to a 0% tax rate when such goods are involved in the export of finished goods to abroad. Certain requirements apply.

Other Taxes

Excise taxes

There is an excise tax on items such as alcoholic beverages, tobacco, junk food, soft drinks, fuels and pesticides.

Real estate tax

State governments impose a real estate tax on the ownership of real property at varying rates, based on the assessed value of the property. Certain types of real property may be exempt from payment of the real estate tax.

Transfer taxes

There is a tax on the transfer of real estate imposed by the state governments at varying rates.

Stamp duty

There is no stamp duty in Mexico.

Tax Incentives for Businesses

Maquiladoras

Special rules apply to Maquiladoras, manufacturing entities that process or assemble imported materials and parts for resale to the country of origin or other parts of the world. Tax advantages include those that relate to tax-exempt benefits provided to employees, VAT and the use of machinery and equipment in Mexico owned by non-residents.

Research and development (R&D) expenditure

Mexico's government provides incentives for R&D. The National Council for Science and Technology grants direct cash subsidies for qualifying R&D projects.

Other incentives

Incentives are granted for national cinematographic and theatrical production. Tax incentives are also granted for employers who hire elderly or disabled persons. There are also incentives for real estate trusts.

Country Tax Guides are designed to provide a summary of the taxes which apply to business and individuals, and are for information purposes only. Whilst every effort has been made to ensure accuracy, information contained in these guides may not be comprehensive and is subject to frequent change. Recipients should not act upon it without seeking professional advice. Contacts details for independent members of Baker Tilly International can be found at www.bakertillyinternational.com.

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