



GES NewsFlash

Mexico – Mexican Tax Reforms for 2010

January 26, 2010

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Summary

Below is a summary of the reforms that may have an impact on international employees.

Income Tax law

- The maximum ISR rate for individuals is increased temporarily from 28% to 30% for fiscal years 2010, 2011 and 2012; for the year 2013, the maximum rate will be 29%, finally decreasing to 28% as of January 1, 2014.
- Please note that the rates were adjusted for individuals with monthly income in excess of \$10,298.35, leaving the final tariff band with a tax rate of 30%.
- It is essential for companies to conduct a detailed analysis of the impact of these changes on the net remuneration paid to their workers.
- This is the annual tariff applicable from 2010 to 2012:

| Annual Tariff | | | |
|----------------|----------------|-------------|---|
| Inferior Limit | Superior Limit | Fixed Quote | % Applicable on the Exceeding of Inferior Limit |
| \$ | \$ | \$ | % |
| 0.01 | 5,952.84 | 0.00 | 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 | Exceeding | 73,703.40 | 30.00 |

Other important changes included in this bill are as follows:

- The separate regime (*regimen cedular*) for the interest earned by individuals from Mexican Banks will go into effect as of January 1, 2011.
- The exemption for individuals on the sale of their homes will be applicable when they prove that they have lived there for five years prior to the sale transaction.
- The reform to the personal deduction for individuals of real interest paid on mortgage loans is capped at approximately \$6'000,000 pesos.
- The application of the 4.9% withholding tax rate has been ratified during 2010 for interest paid to foreign banks that are the effective beneficiaries and reside in a country with which Mexico has a tax treaty.

Cash Deposit Tax

- The tax on cash deposits increases from 2% to 3% and the exemption limit is reduced from \$25,000 to \$15,000 a month.

People to Contact

If you have any questions concerning the issues in this GES NewsFlash, please contact one of the tax professionals as follows:

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