

Mexico

Tax Structure for Digital Nomads

1. Residence-Based Taxation

- Eligibility: Individuals with permanent home in Mexico or physical presence for more than 183 days.
- Duration: Tax liability begins when residence is established.
- Income Tax Rate: Progressive rates on worldwide income.
- Foreign Income Treatment: • Worldwide income taxation with foreign tax credit. • Exemptions available under tax treaties.

2. Standard Tax Regime

- Progressive Income Tax Rates (2024): • Up to 8,952.49 MXN: 1.92% • 8,952.49 - 76,039.19 MXN: 6.4% • 76,039.19 - 134,096.78 MXN: 10.88% • 134,096.78 - 155,773.22 MXN: 16% • 155,773.22 - 186,052.74 MXN: 17.92% • 186,052.74 - 392,018.15 MXN: 21.36% • 392,018.15 - 1,307,970.47 MXN: 23.52% • 1,307,970.47 - 2,614,870.96 MXN: 30% • 2,614,870.96 - 3,922,841.42 MXN: 32% • 3,922,841.42 - 7,843,943.36 MXN: 34% • Above 7,843,943.36 MXN: 35%
- Social Security Contributions: • Employees: Approximately 2-3% of salary. • Self-employed: Voluntary participation possible.

3. Business Structures

- Sole Proprietorship (Persona Física con Actividad Empresarial): Personal income tax rates apply.
- LLC Equivalent (Sociedad de Responsabilidad Limitada - S. de R.L.): 30% corporate tax plus 10% dividend withholding.
- Corporation (Sociedad Anónima - S.A.): 30% corporate tax plus 10% dividend withholding.
- Simplified Trust Regime (RESICO): Simplified tax regime for individuals with income under 3.5 million MXN, flat 1-2.5% rate.

4. Value-Added Tax (IVA)

- Standard Rate: 16%.
- Border Region Rate: 8% in border areas with USA.
- Zero-Rated: Certain foods, medicines, books.
- Registration Threshold: No minimum threshold; registration required from first activity.

Digital Nomad-Friendly Provisions

1. Temporary Resident Visa

- Purpose: Residence permit for remote workers and independent professionals.
- Requirements: Proof of minimum monthly income (approximately \$2,100 USD), health insurance.
- Tax Advantage: Potential non-resident status for first 183 days.
- Duration: One year initially, renewable for three more years.

2. Digital Nomad Visa (Introduced 2023)

- Purpose: Specific visa category for remote workers.
- Requirements: Proof of remote employment, minimum income requirements.
- Tax Advantage: Clarity on tax status for remote workers.
- Duration: Up to four years with renewals.

3. Deductions & Credits

- Home Office Expenses: • Deductible up to 5% of total income when working from home. • Office equipment fully deductible when properly documented.
- Professional Development: • Education and training expenses deductible up to certain limits. • Professional association fees deductible.

4. Startup/Tech Incentives

- INADEM Programs: • Matching funds for startups and entrepreneurs. • Incubator and accelerator support.
- Prodeinn Support: • R&D incentives and financing. • Technology transfer support.

5. Social Security Considerations

- Optional Participation: Self-employed individuals can voluntarily register with IMSS.
- Private Healthcare: Option to rely on private insurance rather than public system.
- International Agreements: Social security totalization agreements with several countries.
- Pension Considerations: Voluntary contributions to retirement accounts are tax-deductible.

6. Banking & Foreign Income

- Foreign Currency Accounts: Available with major Mexican banks.
- Foreign Income Rules: • Foreign income generally taxable with foreign tax credit. • Extensive tax treaty network (including with US, Canada, most EU countries). • Exchange rate conversion using official rates on transaction date.