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Mexico

Mexico taxes residents of Mexico on their worldwide income.

Current Trends Pertaining to Residents of Mexico with Offshore Investments

Effective in 2014, Mexico adopted a major tax reform aimed at strengthening and broadening the tax base, including measures against tax avoidance. Changes to tax secrecy rules were implemented to assist enforcement. Financial institutions were also required to report cash deposits in excess of 15,000 pesos and to provide tax information reporting on customer accounts, along with verification of their registration in the Federal Taxpayer Registry.

Mexico also adopted the US FATCA Model 1 IGA to implement automatic exchange of information with the US, entered numerous tax treaties with provisions for exchange of tax information and also adopted the OECD Common Reporting Standard (CRS) for reporting in 2017.

Both the FATCA and CRS reporting regimes are reciprocal. Thus, US persons and residents of CRS-participating countries with Mexican accounts will be reported to their country of residence. Likewise, Mexican residents with accounts in the US or in CRS-participating countries will be reported to the Mexican tax authority.

Effective until 2013, residents of Mexico obtaining foreign (non-Mexican) sourced income were allowed to pay the applicable income tax through any Mexican financial institution without individualizing the taxpayer's name in order to maintain confidentiality. This means that payment was carried out anonymously and the taxpayer would keep the payment receipt to demonstrate that the tax liability had been satisfied. From 2014 onwards, this methodology is no longer available.

Direct and Indirect Ownership of Investment Accounts

Both the US FATCA regime and the OECD CRS regime require reporting of accounts held directly by the individual taxpayer and indirectly, through personal investment companies, trust or foundations. Mexico also has provisions to tax income of Controlled Foreign Corporations (CFCs) at the individual shareholder level, under certain circumstances.

Mexico as a Citi Private Bank Booking Center for non-residents of Mexico

Mexico is a Citi Private Bank Booking Center country. For non-residents of Mexico with accounts placed in Mexico, directly or indirectly (through intervening legal structures), there are several regimes as mentioned below permitting or requiring account information to be reported to the direct or indirect account owner's country of residence. For example, Mexican account information of US persons who directly or indirectly own Mexican accounts will be reported to the US IRS under the US FATCA regime and, similarly, Mexican account information of non-residents of Mexico who reside in CRS-participating countries and who directly or indirectly own Mexican accounts will be reported to the applicable CRS-participating countries (estimated to be 100 countries by 2018) under the CRS reporting regime.

Temporary Voluntary Disclosure Program for residents of Mexico with offshore accounts as of December 31, 2014

Effective January 1, 2016, a voluntary disclosure program entered into force allowing taxpayers to inform their offshore investments and income held undisclosed as of December 31, 2014. The program was available until June 30, 2016. Moreover, such benefit allows taxpayers to claim foreign tax credits, consider their formal tax obligations as duly met, and avoid penalties and surcharges to the extent certain requirements are met.

Applicable Tax Transparency Regime		
US FATCA	✓	For US persons with accounts in Mexico, Mexican account information is reported to the US tax authorities, pursuant to a signed Model 1 IGA, with a reciprocal agreement for reporting of US account information to the Mexican government, with respect to Mexican residents with accounts in the US
UK CDOT	n/a	
EUSD	n/a	
OECD CRS	✓	Reciprocal CRS reporting of 2016 account information, to be filed in 2017, and thereafter, between Mexico and CRS-participating countries
Tax Treaty Information Exchange	✓	Reciprocal exchange of information between Mexico and numerous countries upon request

Other Tax-Related Considerations		
Voluntary Disclosure Program?	No	There is no Voluntary Disclosure Program for offshore accounts. Nonetheless, there was a Temporary Voluntary Disclosure Program applicable on the first half of 2016 (expired on June 30, 2016) related to the offshore income undisclosed as of December 31, 2014
Residents taxed on a worldwide basis?	Yes	Income of Mexican controlled foreign corporations may also be taxed on a current basis at the Mexican shareholder level