

IWP Miami Meeting

Tax Issues for Mexican Residents

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Agenda

- Current Environment
- Tax Reform
- Structures
- Change of residence

Current Environment

- World trend for exchange of information
- Tax Reforms in Mexico
 - Elimination of confidential payment 2015
 - Increase on individual's Income Tax Rate
 - Up to 35%
 - Taxation on dividends and capital gains

Current Environment

- Regularization of individuals
 - 5 tax years (2009 and subsequent years)
 - Review of possible tax losses 2008
 - Capital and profits
- Evaluate implementation of structures
 - Defer Income Tax - control or property

Effects on Tax Reform

- Capital Gains
 - 10% - final payment
 - Mexican corporate shares
 - Shares listed in “SIC” (International Listing System)
 - Sold abroad
- Dividends
 - 10%
 - Collected from Mexican entities – 2014
 - Collected from foreign entities
- Tax rate for individuals up to 35%

Effects on Structures

- On entities subject to Preferential Tax Regime (PTR)
 - Legal Personality
 - It is not convenient to include shares subject to the 10% tax rate
 - Convenient to incorporate shares to which the tax rate reaches 35% (for individuals)
 - Payment of 30%
 - Defer 10% Income Tax on dividends until distribution to individuals

Effects on Structures

- On legal figures subject to PTR
 - Without legal personality
 - Shares subject to 10% may be held
 - Dividends -10% payment
 - Be aware of the Inheritance tax
 - » Use of LP`s
- On different structures
 - It is not convenient to hold shares subject to 10%
 - When distributions exist the source is not identified

Effects on change of residence

- Adequate planning with Mexican resident individuals
 - Taxation of 25% on free acquisitions of
 - Immovable property located in Mexico
 - Mexican issuers' shares
 - No exemptions on stock market listed shares
 - Taxation does not apply to donations
 - Patrimonial effect to disincorporate assets before passing away