

EXECUTIVE GUIDE |

Investment and Incorporation of Foreign Companies in Mexico

EDITION 2026



Legal and
regulatory framework




Investment
structures and
strategies



Incorporation,
operations and
compliance



Mexico, the strategic
destination to **grow**.



This guide is divided into ten chapters that provide a practical and comprehensive overview of the legal, corporate, tax, and labor issues that any foreign investor must consider before beginning operations in Mexico.

TABLE OF CONTENTS

Chapter I. Constitutional Framework and Foreign Investment Regime in Mexico

Chapter II. Corporate Structures Available Under Commercial Law

Chapter III. Incorporation Procedures and Notarial Formalities

Chapter IV. Registration with the Federal Taxpayers Registry (SAT)

Chapter V. Federal Tax Regime Applicable to Corporations

Chapter VI. State and Municipal Taxes

Chapter VII. Labor and Social Security Regime

Chapter VIII. Sector-Specific Regulatory Compliance and Anti-Money Laundering

Chapter IX. Foreign Trade, IMMEX, and International Treaties

Chapter X. Strategic Recommendations and Final Considerations



CHAPTER I. CONSTITUTIONAL FRAMEWORK AND FOREIGN INVESTMENT REGIME IN MEXICO

1.1. Constitutional Basis

Foreign capital participation in economic activities within Mexican territory is regulated, first and foremost, by Articles 27, 32, and 73, Section XXIX-F of the Political Constitution of the United Mexican States. These provisions enshrine the principle of sovereignty over natural resources, restrict foreign access to certain strategic activities, and empower the Congress of the Union to legislate on matters of foreign investment and the promotion of national economic development.

Article 27 establishes the so-called Calvo clause, pursuant to which foreigners who acquire real property or rights thereto within the national territory must agree before the Ministry of Foreign Affairs to be considered nationals with respect to such property and not to invoke the protection of their government, under penalty of forfeiting the acquired property to the Nation. Likewise, it prohibits foreigners from acquiring direct ownership of land and water within a 100-kilometer strip along the borders and a 50-kilometer strip along the beaches (restricted zone), except through a trust regulated by the Foreign Investment Law.

1.2. Foreign Investment Law and Its Regulations

The Foreign Investment Law (LIE), published in the Official Gazette of the Federation on December 27, 1993, constitutes the framework legislation governing foreign capital participation in Mexican companies. The LIE adopts free investment as a general rule, allowing up to 100 percent foreign ownership in most sectors, except those expressly reserved, regulated, or subject to maximum percentage limits.

1.2.1. Activities Reserved for the State

Pursuant to Article 5 of the LIE, the following activities, among others, are reserved exclusively for the Mexican government:

- Exploration and extraction of oil and other hydrocarbons, in accordance with the provisions of Article 27, paragraph 7, and Article 28, paragraph 4, of the Federal Constitution and applicable legislation.
- Planning and control of the national electricity system, as well as the public service of transmission and distribution of electricity, in accordance with Article 27, paragraph 6, and Article 28, paragraph 4, of the Constitution.
- Generation of nuclear energy, radioactive minerals, telegraphs, radiotelegraphy, postal services, issuance of banknotes, minting of coins, control, supervision, and monitoring of ports, airports, and heliports, as well as any other functions expressly provided for in applicable legal provisions.

1.2.2. Activities reserved for Mexican nationals or companies with a foreigner exclusion clause

Article 6 of the LIE reserves certain activities for Mexican nationals or Mexican companies, with a clause excluding foreigners, including domestic passenger, tourism, and freight transportation (excluding courier and parcel services), retail gasoline sales and the distribution of liquefied petroleum gas, broadcasting services (with the exception applicable under the principle of reciprocity), credit unions, development banks, and the provision of professional services under the terms set forth in specific provisions.

1.2.3. Activities subject to specific regulations and maximum percentages

Sections 7 and 8 of the LIE establish maximum percentages for foreign ownership in specific sectors, as well as activities that require approval from the National Commission on Foreign Investment (CNIE) when applicable thresholds are exceeded. For example:

Economic activity	Maximum percentage
Production cooperatives	up to 10%
Manufacture and sale of explosives, firearms, and ammunition	up to 49%
Printing and publishing of newspapers for domestic circulation only	up to 49%
Class 'T' shares of companies that own agricultural, livestock, or forest land	up to 49%
Freshwater, coastal, and exclusive economic zone fishing (excluding aquaculture)	up to 49%
Port pilotage services for inland waterway vessels	up to 49%
Shipping companies engaged in commercial deep-sea shipping	up to 49%
Scheduled and non-scheduled domestic air services	up to 49%
Private preschool, elementary, middle, high school, college, and combined educational services (with a CNIE resolution of over 49%)	up to 49% without authorization

To invest in amounts exceeding the percentages specified for activities subject to specific regulations, a favorable decision is required from the National Commission on Foreign Investment, a collegiate body composed of various agencies of the Federal Executive Branch, with the Ministry of Economy serving as its technical secretariat.

1.3. National Registry of Foreign Investments (RNIE)

Any Mexican corporation with foreign ownership of its capital stock, as well as foreign legal entities that regularly conduct business activities within the country, trusts involving shares or equity interests in which foreign investors participate, and real estate trusts located in restricted zones, must register with the RNIE, which is under the jurisdiction of the Ministry of Economy.

Registration must be completed within forty business days following the incorporation of the company or the date of acquisition of the shares or partnership interests by the foreign party. Additionally, obligated parties must file quarterly reports and an annual financial statement when they exceed certain thresholds for assets, liabilities, income, or expenses as provided in the Regulations of the LIE. Non-compliance is punishable by fines ranging from thirty-five thousand times the value of the UMA, depending on the severity of the violation.

Practical recommendation

Before incorporating the company, we recommend applying to the Ministry of Foreign Affairs for approval of the company name and verifying, based on the proposed corporate purpose, whether the activity falls within the restricted categories listed in the Foreign Investment Law (LIE). An improperly defined corporate purpose may result in the rejection of the registration or subsequent objections from the National Registry of Foreign Investment (RNIE).

CHAPTER II. CORPORATE VEHICLES AVAILABLE UNDER COMMERCIAL LAW

The General Law on Commercial Companies (LGSM) recognizes seven types of companies. For the purposes of foreign investment for business purposes, the most commonly used vehicles, by far, are the Corporation (S.A.), the Limited Liability Company (S. de R.L.), and the Investment Promotion Corporation (S.A.P.I.). In addition, branches of foreign companies are commonly used, and for specific projects, joint ventures.

2.1. Comparison table of the main vehicles

Characteristic	S.A. de C.V.	S. de R.L. de C.V.	S.A.P.I. de C.V.
Minimum capital	No legal minimum required (the law has allowed for this since 2014); recommended: \$50,000	No legal minimum required; recommended: \$3,000 to \$50,000	No legal minimum required; higher capital is typically subscribed
Number of partners	Minimum 2; no maximum	Minimum 2; maximum 50	Minimum 2; no maximum
Representation of capital	Shares (negotiable securities)	Partnership interests (not securities)	Shares, with the possibility of series and classes
Liability of partners	Limited to the amount of contributions	Limited to the amount of contributions	Limited to the amount of contributions
Governing board	Single administrator or Board of Directors	Single manager or Board of Managers	Board of Directors (recommended)
Supervisory board	Mandatory auditor	Not mandatory	Audit and/or Corporate Governance Committee
Tax treatment in the U.S. (check-the-box)	Default: corporation	You may choose to be treated as a pass-through entity (LLC equivalent)	Default: corporation
Typical uses	General business operations; vehicle for going public	U.S.-based investment (tax efficiency)	Joint ventures, venture capital, flexible governance

2.2. Corporation (S.A. de C.V.)

It is the most commonly used corporate structure in Mexico. Its capital is divided into shares, which may be common or preferred, registered (the general rule in Mexico), and, depending on the articles of incorporation, freely transferable or subject to restrictions. The Variable Capital (S.A. de C.V.) structure allows the capital to be increased or decreased without the need to file amendments to the articles of incorporation regarding the variable portion, which provides operational flexibility.

Formal requirements for incorporation (Section 6 of the LGSM):

1. Corporate name, followed by the words "Sociedad Anónima" or its abbreviation "S.A.," as well as the designation "Capital Variable" or "C.V."
2. Registered office (state or city).
3. Term of the corporation (generally indefinite).
4. Corporate purpose, which must be lawful and feasible. It must be drafted with sufficient breadth to cover all present and future business operations.
5. Amount of the share capital, identifying the fixed and variable portions, if applicable.
6. Contributions of each partner (in cash, in kind, or in rights).
7. Number, par value, and nature of the shares representing the capital.
8. Form and terms of management, as well as the powers of the management body.
9. Appointment of directors and auditors and designation of those authorized to sign on behalf of the company.
10. Method of distributing profits and losses.
11. Amount of the reserve fund (minimum 5% of annual profits until reaching 20% of the share capital).
12. Circumstances under which the company will be dissolved early and the basis for liquidation.

2.3. Limited Liability Company (S. de R.L. de C.V.)

Particularly attractive to U.S. investors due to the option to elect, via IRS Form 8832 (the "check-the-box" election), to be treated as a pass-through entity for U.S. tax purposes, thereby avoiding economic double taxation by consolidating the Mexican subsidiary's profits into the U.S. parent company. The capital is divided into shares not represented by negotiable securities, and the number of partners may not exceed fifty. Unless otherwise agreed, the transfer of shares requires the consent of partners representing a majority of the capital.

2.4. Investment Promotion Corporation (S.A.P.I. de C.V.)

Governed by the Securities Market Law, the S.A.P.I. offers the most flexible framework for corporate governance structures. Among other features, it allows for the restriction of preemptive rights, the issuance of shares with limited voting rights or no voting rights, the restriction of share transfers, the establishment of tag-along and drag-along rights, call and put options, and the limitation of the powers of the shareholders' meeting. It is the ideal vehicle for joint ventures, private equity funds, family offices, and venture capital transactions.

2.5. Branch of a Foreign Company

An alternative to establishing a subsidiary is to operate through a branch of the foreign parent company. This requires authorization from the Ministry of Economy pursuant to Articles 250 and 251 of the LGSM, as well as the registration of the parent company's articles of incorporation—duly legalized or apostilled and translated by an authorized expert—in the Public Registry of Commerce at the designated address within the country.

It should be noted that the branch does not constitute a legal entity separate from the parent company, which means that the foreign company is directly and fully liable with all its assets for the obligations incurred in Mexico. For this reason, in practice, the vast majority of foreign investors prefer to establish Mexican subsidiaries.

Strategic Consideration

For U.S. groups, the combination of an S. de R.L. de C.V. with the check-the-box option is typically the most efficient structure. For European or Asian groups where tax transparency at source is not relevant, the S.A. de C.V. offers greater documentary robustness for third parties and banks. For joint ventures and transactions with Mexican partners, the S.A.P.I. allows for the structuring of robust investment agreements without the need for a parallel shareholders' agreement.

CHAPTER III. PROCEDURE FOR INCORPORATION AND NOTARIAL FORMALITIES

3.1. Steps in the incorporation process

Incorporating a business entity in Mexico involves procedures with the Ministry of Economy, a public notary (notary public or public broker), the Public Registry of Commerce at the registered office, the Tax Administration Service, the National Registry of Foreign Investments, and, depending on the line of business and place of operation, additional state and municipal authorities. The typical procedure follows the steps described below.

Step 1. Authorization to Use a Name

Through the Ministry of Economy's System for Authorizing the Use of Names and Business Names (online module), up to five name options are requested. Once authorized, the company has 180 calendar days to use the name in the articles of incorporation. The service is free of charge.

Step 2. Documentation for Foreign Partners

Foreign individual partners must present a valid passport and, if applicable, an immigration document (visa, temporary or permanent residence permit), as well as a tax identification number from their country of origin. Foreign corporate entities must provide:

- Articles of incorporation or equivalent document, duly apostilled or legalized (as applicable to the country of origin and the Hague Convention).
- Document certifying its legal existence and validity (certificate of good standing, equivalent, or foreign notarial certification).
- General or special power of attorney granted to the person who will appear on your behalf, also apostilled or legalized, and translated into Spanish by a certified translator authorized by the Superior Court of Justice of the relevant jurisdiction.
- Valid official identification of the attorney-in-fact.
- Proof of address (not older than three months) for the company and its partners or attorneys-in-fact.

Step 3. Execution of the articles of incorporation before a notary public or a certified public notary

The articles of incorporation (also known as the memorandum of association) must include all the elements specified in Article 6 of the LGSM and any specific provisions agreed upon by the parties in their bylaws. The notary public verifies the legality of the document, the legal capacity of the parties appearing before the notary, and the identity of the partners, and issues the public instrument.

The deed must contain, in compliance with Article 27 of the Constitution, one of the following two clauses:

- **Foreign Investor Admission Clause (Calvo Clause):** This clause permits foreign investment in the company and requires foreign partners to be treated as Mexican nationals with respect to the shares or equity interests they acquire. It is the standard clause for companies with foreign investment.
- **Foreign Exclusion Clause:** prohibits any foreign person from holding an interest in the company's capital stock. It applies only to 100% Mexican-owned companies and is essential for operating in reserved activities.

Step 4. Registration with the Public Registry of Commerce

The notary public or an authorized agent files the articles of incorporation with the Public Registry of Commerce at the company's registered office through the Comprehensive Registry Management System (SIGER 2.0). Registration confers public notice and enforceability against third parties. Processing times vary by state, typically ranging from five to twenty business days. Registration fees also vary by state.

Step 5. Registration with the Federal Taxpayers Registry

Once the company has been incorporated and the business registration number has been obtained, you must register with the SAT, as detailed in Chapter IV.

Step 6. Registration with the National Registry of Foreign Investments

Within forty business days of the date of incorporation, the required notice must be filed with the RNIE under the Ministry of Economy. The process is conducted electronically and requires a certified copy of the articles of incorporation, identification of the legal representative, RFC, and proof of tax address.

Step 7. Additional entries

- Registration as an employer with the Mexican Social Security Institute (IMSS) when the company hires employees.
- Registration with Infonavit, linked to the IMSS registration.
- Registration with the State Finance Department for Payroll Tax (ISN) purposes.
- Health, civil protection, land use, or environmental permits, depending on the business type and location.
- Specific registries: Registry of Importers, Sectoral Registry, sectoral registries (CRE, IFT, COFEPRIS, CNBV, etc.) as applicable.
- Registration with the National Registry of Accredited Persons (RUPA) if the business has dealings with the state.

3.2. Estimated Timeframes and Costs

Stage	Estimated Timeframe	Approximate Cost
Name Approval (SE)	1 to 3 business days	No cost
Notarization of Deed	3 to 10 business days	\$15,000 to \$40,000 MXN + VAT
Registration in the Public Commercial Registry	5 to 20 business days	\$3,000 to \$15,000 MXN
Registration with SAT (e-signature + RFC)	By appointment: 1 to 4 weeks	No cost (agency fee: \$3,000 to \$8,000)
Notification to the National Registry of Foreign Investments	Same day (electronic)	No cost
Employer registration with IMSS / Infonavit	3 to 10 business days	No cost
Total comprehensive process	4 to 8 weeks	\$25,000 to \$80,000 MXN + VAT

The above ranges are approximate and may vary depending on the complexity of the articles of incorporation, the state, the notary selected, and the structure of the transaction. They do not include professional fees charged by the law firm or those of tax and accounting advisors.

CHAPTER IV. REGISTRATION WITH THE FEDERAL TAXPAYER REGISTRY

4.1. Regulatory Framework

Registration with the Federal Taxpayers Registry (RFC) is mandatory for all legal entities incorporated in Mexico, pursuant to Article 27 of the Federal Tax Code (CFF) and Article 22 of its Regulations, as well as in accordance with the provisions of the current Miscellaneous Tax Resolution. Registration must be completed within one month of the date the articles of incorporation are signed.

4.2. Procedures and Documentation

The registration of legal entities is carried out with the Tax Administration Service (SAT) through a procedure known as “online registration with in-person completion,” which involves initiating the application through the SAT website and finalizing it during an in-person appointment at a local tax office, where original documents are submitted and the e-signature and Digital Seal Certificates (CSD) are obtained.

Required documentation

1. Duly completed official Form RX (electronic format).
2. Certified copy of the articles of incorporation (including the commercial registration number in the RPC).
3. Proof of the company's tax address, issued no more than four months ago (property tax bill, water bill, electricity bill, phone bill, or duly registered lease agreement).
4. Valid official identification of the legal representative, including the CURP.
5. Notarized power of attorney certifying legal representation (if not included in the articles of incorporation).
6. CURP of the legal representative (foreigners may obtain a CURP through the National Population Registry).
7. For foreign legal representatives: valid immigration document (temporary or permanent residence).
8. Proof of tax status of the partners (if they are Mexican legal entities) or foreign equivalent.

4.3. e-Signatures and Digital Seal Certificates

The e.firma (formerly known as FIEL) is the set of data and characters used to identify taxpayers when conducting online transactions with the SAT and other government agencies. It is essential for issuing Digital Tax Receipts (CFDI) online, filing tax returns, and performing virtually any digital transaction. It is obtained in person during the appointment to register for the RFC.

Digital Seal Certificates (CSD) are the certificates that a company uses specifically to stamp electronic invoices. They can be processed through the SAT portal using the company's e.firma, once the latter has been obtained.

4.4. Tax Regime and Obligations of Legal Entities

When registering, the company must select the applicable tax regime in accordance with the Income Tax Act. The main tax regimes for corporations are:

- **General Tax Regime for Corporations (Title II of the Income Tax Law):** applicable to most business corporations. Income tax is levied at a rate of 30% on taxable income.
- **Simplified Trust Regime for Corporations (Title VII, Chapter XII of the Income Tax Law):** applicable to corporations with annual income not exceeding 35 million pesos, composed exclusively of individuals. Generally does not apply to subsidiaries of foreign entities.
- **Regime for Non-Profit Legal Entities (Title III):** applicable to civil associations, civil partnerships with non-predominantly economic purposes, labor unions, chambers of commerce, and authorized donees.
- **Regime for Coordinated Entities, AGAPES, and Maquiladoras:** special regimes for motor carriers, the primary sector, and maquila operations under the IMMEX program.

4.5. Certificate of Tax Status and List of Obligations

Once registration is complete, the SAT issues the Certificate of Tax Status, a document that contains the taxpayer's general information, tax address, tax regime, and list of applicable obligations. This document must be provided to customers, suppliers, and employers when required and must be kept up to date.

The typical list of obligations for a legal entity under the General Regime includes, among others:

- Monthly estimated income tax payments.
- Monthly final value-added tax payments.
- Monthly Informative Return on Transactions with Third Parties (DIOT).
- Monthly withholding and remittance of income tax and VAT, as applicable.
- Annual tax return for the fiscal year (due no later than March 31 of the following year).
- Informative returns (donations, related parties, preferential regimes, BEPS, as applicable).
- Monthly electronic accounting (submission of catalogs and trial balances via the Tax Mailbox).
- Issuance of CFDI for all transactions or activities, as well as for payroll paid to employees.

A critical point for foreigners

The legal representative must have a CURP and, if a foreign national, temporary or permanent residency that allows them to engage in paid work. It is common for the process to be delayed due to the representative's lack of proper immigration documentation. It is recommended to appoint a person with permanent residency as the legal representative or, alternatively, a trusted Mexican national during the initial phase.

CHAPTER V. FEDERAL TAX REGIME APPLICABLE TO CORPORATIONS

5.1. Income Tax (ISR)

5.1.1. Rate and tax base

Pursuant to Article 9 of the Income Tax Law, corporations under the General Regime are subject to income tax at a rate of 30% on their taxable income for the fiscal year. Taxable income is determined by deducting any unused tax losses from prior fiscal years from taxable profit. Taxable profit, in turn, is the difference between taxable income and authorized deductions, adjusted for the employee profit-sharing (PTU) paid during the fiscal year.

5.1.2. Accumulated income and deductions

Under Article 16 of the Income Tax Law (LISR), taxable income includes all income received by a corporation in the form of cash, goods, services, credit, or any other form, including income derived from its foreign establishments. Authorized deductions, pursuant to Article 25, include expenses strictly necessary for the purposes of the business, investments (through depreciation at the rates set forth in Article 34), bad debts that meet legal requirements, social security contributions, and uncollectible receivables, among other items.

5.1.3. Interim payments

Monthly estimated payments are calculated by applying the profit ratio determined for the most recent fiscal year (or the oldest of the five preceding fiscal years for which a ratio was available) to the cumulative nominal income for the fiscal year. No estimated payments are due for the first fiscal year until a specific profit ratio has been determined.

5.1.4. Net Taxable Income Account (CUFIN) and Contributed Capital Account (CUCA)

These two accounts are central to the Mexican tax system. The CUFIN account reflects profits on which corporate income tax has already been paid and allows for the distribution of dividends without incurring additional corporate income tax. The CUCA account reflects partners' contributions and allows for capital reimbursements without generating deemed dividends. Accurate calculation and annual updating of these accounts are essential for planning distributions to the foreign parent company.

5.1.5. 10% withholding tax on dividends paid to individuals residing abroad

Article 140 of the Income Tax Law (LISR) establishes an additional 10% withholding tax on dividends distributed to Mexican individuals and foreign residents, on profits generated beginning in fiscal year 2014. This withholding may be reduced under the Double Taxation Avoidance Treaties that Mexico has entered into with more than sixty countries (including the United States, Canada, Spain, Germany, the United Kingdom, the Netherlands, Japan, China, Switzerland, and most relevant jurisdictions), provided that the beneficial owner requirements are met and tax residency is proven by means of official documentation.

5.2. Value-Added Tax (VAT)

Rate	Application	Comments
16%	General rate	Applicable to most transactions or activities in the country
8%	Northern and Southern Border Regions	Incentive applicable to taxpayers with tax domicile and actual operations in border municipalities, subject to prior registration
0%	Zero rate	Export of goods and services, unprocessed food, patented medicines, books and newspapers, water for domestic use, among others
Exento	Exempt transactions	Medical services, education, specific financial services, bank interest, public entertainment, residential housing

The difference between a zero-rate and an exemption is significant: in transactions subject to a 0% rate, the taxpayer can claim a credit for the VAT paid to suppliers; in exempt transactions, they cannot.

5.2.1. VAT on Digital Platforms

Pursuant to Articles 18-B et seq. of the VAT Law and the amendments in effect since 2020, foreign residents without a permanent establishment in Mexico who provide digital services to users located within the country (app downloads, audiovisual content, third-party intermediation, hosting, transportation) are required to register with the RFC, withhold and remit VAT at a rate of 16%, and file monthly and quarterly informational returns. The reforms in effect through 2026 expand the VAT withholding obligations applicable to corporations that use digital platforms as intermediaries in the sale of goods and the provision of services.

5.3. Special Tax on Production and Services (IEPS)

Applies to the sale and importation of specific goods: alcoholic beverages (rates ranging from 26.5% to 53%), beer (26.5%), manufactured tobacco (160% plus a fixed fee per cigarette), flavored beverages with added sugars (\$1.6451 per liter, adjusted annually), non-staple foods with a caloric density of 275 kilocalories or more per 100 grams (8%), fossil fuels, pesticides, and gambling and raffles (30%). For foreign companies seeking to operate in these sectors, the IEPS represents a direct tax cost and must be factored into the pricing structure.

5.4. Foreign Payment Regulations

Title V of the Income Tax Law (Articles 153 through 175) governs the income tax payable by foreign residents on income derived from sources of wealth located in Mexican territory. The most relevant withholding rates are as follows (applicable without prejudice to international treaties):

Concept	Income Tax Rate	Standard treaty rate
Dividends (profits from 2014 onward)	10%	0% / 5% / 10%
Interest paid to registered foreign banks	4.9%	4.9% / 10%
Interest paid to other residents abroad	35% (regla general)	10% / 15%
Regalías por uso de patentes, marcas, know-how	25% / 35%	10% / 15%
Royalties for copyrights in literary, artistic, and scientific works	25%	10%
Technical support	25%	0% / 10%
Fees for independent services	25%	0% ((with a stay of less than 183 days)
Payments to preferential tax regimes (REFIPRES)	40%	No treaty applies

To qualify for the reduced tax rates provided for in the treaties, a resident abroad must provide proof of tax residency in the form of a certificate issued by the tax authority of the country of residence, satisfy the beneficial ownership test, and, where applicable, comply with the anti-abuse provisions of Article 4 of the Income Tax Law.

5.5. Other Relevant Tax Obligations

5.5.1. Transfer Pricing

Transactions with related parties residing abroad must be conducted at arm's length, in compliance with Articles 76(IX), (X), and (XII); 76-A; 179; and 180 of the Income Tax Law (LISR), as well as the OECD's BEPS guidelines. Requirements include preparing a transfer pricing study, filing the local disclosure (master file and local file), and, depending on the size of the transaction, the country-by-country report. This area is subject to strict oversight by the SAT.

5.5.2. Controlling Beneficiary

Pursuant to Articles 32-B Ter, Quáter, and Quinquies of the Federal Tax Code (effective as of 2022), Mexican corporations, notaries, and trusts are required to obtain, retain, and keep up to date the information identifying their beneficial owners. In other words, they must identify the individuals who ultimately control or benefit financially from the entity. Failure to do so is punishable by fines ranging from \$500,000 to \$2,000,000 pesos for each beneficiary not correctly identified.

5.5.3. Anti-abuse rules and business rationale

Article 5-A of the Federal Tax Code (CFF) empowers the tax authority to reclassify legal acts that lack a business rationale and whose tax benefit exceeds the expected economic benefit. This general anti-abuse clause, in effect since 2020, has been applied by the SAT to aggressive tax planning structures, corporate restructurings, mergers, and spin-offs. Any investment structure must be robustly documented with its economic substance.

5.5.4. Reportable schemes

Articles 197 through 202 of the Federal Tax Code (CFF) establish the obligation to report certain arrangements deemed aggressive to the SAT, using a system of fourteen categories that include, among others, the carryforward of tax losses, transactions under preferential tax regimes, hybrid instruments, and corporate reorganizations with limited substance. This obligation falls primarily on tax advisors and, secondarily, on taxpayers.

CHAPTER VI. STATE AND MUNICIPAL TAXES

Mexico is a federal republic. Pursuant to Articles 73, subsection XXIX, and 124 of the Constitution, powers not expressly granted to the federal government are deemed to be reserved for the states. In tax matters, states and municipalities may levy taxes on sources not reserved for the federal government, in accordance with the agreements entered into under the National Fiscal Coordination System.

6.1. Payroll Tax (ISN)

Payroll tax, or tax on payments for wages and salaries of subordinate employees, is the government tax with the greatest operational significance for businesses. Employers are required to pay this tax on the total amount of payments made for wages, salaries, bonuses, commissions, and other benefits provided to their employees. Each state sets its own rate and tax regime.

State	ISN Rate 2026	Comments
Ciudad de México	3%	The highest rate in the country, along with Baja California
Estado de México	3%	In addition, a surcharge for social assistance
Jalisco	2% / 3%	2% for payroll and 3% for income treated as wages
Nuevo León	3%	A 4% surcharge on the ISN to fund crime prevention and education
Querétaro	3%	Incentives for creating formal jobs
Guanajuato	3%	Incentives for new investment in economic zones
Aguascalientes	2.5%	One of the most competitive rates in the Bajío region
Yucatán	3%	Benefits for new businesses during the first 24 months
Quintana Roo	3%	0.5% surcharge for tourism infrastructure
Baja California	3.6%	Highest rate in the country; significant due to its proximity to the border

The rates listed are indicative for 2026 and must be verified in each state's Finance Act or Financial Code in effect at the time operations begin, as they are subject to annual updates. Some states, such as Jalisco, offer corporate income tax incentives for creating new formal jobs, hiring people with disabilities, women who are heads of households, or graduates of educational institutions; these incentives must be specifically applied for.

6.2. Lodging Tax

Applicable to those providing lodging services (hotels, motels, guesthouses, furnished apartments, and digital platforms such as Airbnb). The rate typically ranges from 2% to 5% of the total payment amount. In Jalisco, for example, the rate is 3% plus a surcharge for tourism promotion. Hosts using digital platforms are subject to automatic withholding by the platforms themselves in those jurisdictions where an agreement has been signed (Mexico City, Quintana Roo, Yucatán, among others).

6.3. Property Tax

This is the quintessential municipal tax. It is payable by the owner or occupant of real estate located within the municipality. The tax base is the assessed value of the property, and the rates are progressive and relatively low (ranging from 0.05% to 1.2% annually of the assessed value, depending on the municipality). It is deductible for income tax purposes provided it is related to the company's business activities.

6.4. Real Estate Acquisition Tax (ISABI)

It is paid by the purchaser of any property located in the municipality, generally at a rate of 2% to 5% of the higher of the transaction value, the assessed value, or the appraised value. It is a cost to consider when purchasing industrial facilities, office space, or land.

6.5. Other local rights and uses

- Operating license or municipal operating permit (annual).
- Land use permit (one-time, tied to the property).
- Civil Protection approval and structural assessment.
- State environmental license (impact, risk, waste generation).
- Municipal wastewater discharge rights.
- License to sell alcoholic beverages, where applicable.
- Drinking water and sewerage rates (commercial and industrial use).

CHAPTER VII. LABOR AND SOCIAL SECURITY PROVISIONS

Labor law in Mexico is primarily governed by Article 123, Section A, of the Constitution and by the Federal Labor Law (LFT), which applies nationwide and is designed to protect workers. Additionally, employers are subject to the Social Security Law (LSS), the Infonavit Law, the SAR Law, and official Mexican regulations regarding occupational safety and health (NOM-035, NOM-030, NOM-019, among others).

7.1. Minimum Wages in Effect in 2026

The National Minimum Wage Commission (CONASAMI) has set the following amounts, effective January 1, 2026:

Geographic area	Diary	Approx. monthly
General minimum wage (rest of the country)	\$315.04 MXN	\$9,582.47 MXN
Northern Border Free Zone (ZLFN, 46 municipalities)	\$440.87 MXN	\$13,409.80 MXN

The ZLFN encompasses border municipalities in Baja California, Sonora, Chihuahua, Coahuila, Nuevo León, and Tamaulipas. CONASAMI also publishes a catalog of minimum professional wages for 61 trades and specialized occupations, which were also increased in 2026.

7.2. Unit of Measurement and Update (UMA) 2026

The UMA is the deflated economic benchmark for the minimum wage, used to calculate obligations, contributions, and penalties. For 2026, according to the INEGI publication:

- Daily UMA: \$117.31 MXN
- Monthly UMA: \$3,566.22 MXN
- Annual UMA: \$42,794.64 MXN

These amounts took effect on February 1, 2026, and represent a 3.69% increase over the 2025 amounts. The UMA is relevant for determining the maximum cap on the base contribution wage (SBC) for the IMSS, equivalent to 25 daily UMAs (MXN 2,932.75 per day for 2026), among many other items.

7.3. Statutory Minimum Employment Benefits

Benefits	Legal minimum
Year-end bonus	A minimum of 15 days' pay per year, payable by December 20 (Section 87 of the Federal Labor Code). Market practice: 20 to 30 days.
Vacation	12 days in the first year of service (2023 reform), increasing by two days for each subsequent year until reaching 20 days in the fifth year, and then by two days for every five years of service.
Vacation bonus	At least 25% of the salary corresponding to vacation days (Section 80 of the Labor Code).
PTU	Profit Sharing: 10% of the taxable profit from the previous fiscal year, with an individual cap of three months' salary or the average profit-sharing payment received over the past three years, whichever is greater (Article 127 of the Labor Code).
Day off	One day off for every six days worked, with full pay.
Sunday bonus	An additional 25% of the regular wage for work performed on Sundays when they fall on a weekday.
Mandatory days off	January 1, the first Monday in February, the third Monday in March, May 1, September 16, the third Monday in November, December 1 (every 6 years), December 25, and any other dates specified by election laws.
Maternity leave	12 weeks (6 before and 6 after childbirth), with full pay covered by the IMSS.
Paternity leave	5 days with full pay.

7.4. Employer and employee contributions (IMSS, Infonavit, and SAR) 2026

Contributions are calculated based on the Base Contribution Wage (SBC), which is determined by multiplying the daily wage by the adjustment factor (1.0452, the legal minimum with statutory benefits for the first year). The SBC is capped at 25 UMAs per day.

Insurance sector	Employer	Worker	Total
Sickness and Maternity – Flat Rate	20.40% UMA	—	20.40% UMA
Illness and Maternity – Additional Premium (>3 UMA)	1.10%	0.40%	1.50%
Cash benefits	0.70%	0.25%	0.95%
Medical expenses for retirees	1.05%	0.375%	1.425%
Disability and Life	1.75%	0.625%	2.375%
Occupational hazards	0.50% a 7.59%	—	Variable
Daycare Centers and Social Benefits	1.00%	—	1.00%
Retreat (SAR)	2.00%	—	2.00%
Unemployment and Old Age (CEAV) – Progressive 2023–2030	3.150% a 7.51%	1.125%	Variable
Infonavit	5.00%	—	5.00%

Total payroll cost

Taking all categories into account, the total cost of social security borne by the employer ranges from 28% to 35% of the Base Contribution Wage. When adding the federal income tax (typically 2% to 3.6%) and any benefits the company provides above the legal minimum, the gross cost of an employee for a formal business in Mexico is usually between 40% and 55% above the agreed-upon nominal wage.

7.5. Restrictions on subcontracting (2021 reform)

The labor reform published on April 23, 2021, categorically prohibited the outsourcing of personnel, allowing only the outsourcing of specialized services or works that are not part of the beneficiary's corporate purpose or primary economic activity, provided that the service provider is registered with the Ministry of Labor and Social Welfare in the registry known as REPSE.

Failure to comply with these regulations exposes both the contractor and the beneficiary to severe penalties: disallowance of income tax deductions, denial of VAT credits, fines of up to 50,000 times the UMA, and, in certain cases, criminal liability for tax fraud. Any corporate structure involving the provision of services between related parties must be carefully reviewed within this framework.

7.6. Mexican Official Standard NOM-035 on Psychosocial Risk Factors

Effective since October 2019, it requires all workplaces in the country to identify, analyze, and prevent psychosocial risk factors, as well as to promote a supportive organizational environment. Companies with more than 50 employees are subject to more extensive obligations, including the use of diagnostic questionnaires, the implementation of corrective measures, referral to medical services when severe traumatic events are detected, and the maintenance of documentary evidence of compliance. Fines range from 250 to 5,000 UMAs per affected employee.

7.7. Working Hours Reform (undergoing legislative process in 2026)

Throughout 2025 and 2026, the Mexican Congress has debated the gradual reduction of the workweek from 48 to 40 hours. On April 23, 2026, the Labor Committee of the Chamber of Deputies approved a bill to amend the Labor Law (LFT) in this regard. If approved by the full Chamber and the Senate, its implementation will be phased in over several years. Foreign companies should monitor this process, as it will impact labor costs, shift scheduling, and job design.

CHAPTER VIII. SECTOR-SPECIFIC REGULATORY COMPLIANCE AND ANTI-MONEY LAUNDERING

8.1. Federal Law on the Prevention and Identification of Transactions Involving Illicit Funds (LFPIORPI)

Known as the Anti-Money Laundering Law, it identifies a list of Vulnerable Activities that trigger obligations to identify customers, file reports with the Tax Administration Service through the Money Laundering Prevention Portal, maintain records, and, in many cases, appoint a compliance officer.

Vulnerable activities include:

- Notary and brokerage services in real estate transactions and the incorporation of legal entities.
- Gambling activities, contests, and raffles.
- The regular or professional issuance and sale of service, credit, or prepaid cards.
- The regular sale of jewelry, precious stones, and precious metals above certain thresholds.
- Auction or sale of works of art above certain thresholds.
- Leasing, transfer, or custody of real estate above certain thresholds.
- Independent professional services when preparing specific transactions for a client (real estate sales, fund management, incorporation of legal entities, among others).
- Sale of land, air, or sea vehicles, new or used.
- Construction and real estate development activities.

8.2. Sectors Subject to Specific Regulations

8.2.1. Financial sector

Under the supervision of the National Banking and Securities Commission (CNBV), the National Commission for the Retirement Savings System (CONSAR), the National Insurance and Surety Commission (CNSF), and the National Commission for the Protection and Defense of Financial Services Users (CONDUSEF). This includes banks, brokerage firms, special-purpose financial companies (SOFOMs), credit unions, fintech institutions (Fintech Law), insurance companies, and surety companies. Each entity is subject to robust requirements regarding minimum capital, corporate governance, anti-money laundering, and regulatory reporting.

8.2.3. Telecommunications and Broadcasting

Under the jurisdiction of the Federal Telecommunications Institute (IFT, currently undergoing restructuring in 2025–2026 pursuant to the constitutional amendment). Foreign investment may reach 100% in the telecommunications sector; in broadcasting, it is limited to 49%, subject to the principle of reciprocity.

8.2.4. Healthcare and Pharmaceutical Sector

The Federal Commission for the Protection against Health Risks (COFEPRIS) regulates the manufacture, import, distribution, and marketing of drugs, medical devices, food, dietary supplements, cosmetics, cleaning products, pesticides, and tobacco products. Each category has specific requirements regarding health registration, labeling, good manufacturing practices, and surveillance.

8.2.5. E-commerce and Digital Platforms

Regulated by the Federal Consumer Protection Agency (PROFECO), the Federal Consumer Protection Law, the Federal Law on the Protection of Personal Data Held by Private Parties, and the Fintech Law, where applicable. The amendment to Article 30-B of the Federal Tax Code (CFF), effective as of April 2026, requires digital platforms to grant real-time access to the SAT via API, which has operational implications for companies such as Airbnb, Uber, Mercado Libre, and similar platforms.

8.3. Protection of Personal Data

The Federal Law on the Protection of Personal Data Held by Private Parties and its Regulations require any entity that collects personal data within Mexican territory, or data related to Mexican residents, to prepare and publish privacy notices, designate a data protection officer or department, address ARCO rights (access, rectification, cancellation, and opposition), implement physical, technical, and administrative security measures, and, in the case of international transfers, ensure that the recipient assumes the same protection commitments. The governing authority was the INAI; with the recent constitutional reform, its functions have been absorbed and reorganized within the Federal Executive Branch.

8.4. Industrial and Intellectual Property

The protection of trademarks, patents, utility models, industrial designs, trade secrets, and trade names is administered by the Mexican Institute of Industrial Property (IMPI), in accordance with the Federal Law on the Protection of Industrial Property (in effect since 2020). Trademark registrations are valid for 10 years and are renewable; proof of actual and effective use must be provided. Copyrights are registered with the National Copyright Institute (INDAUTOR).

Before operating under a specific trademark or trade name, we strongly recommend conducting a phonetic search with the IMPI to verify availability and, if applicable, filing the registration application in a timely manner, as trademark protection operates under a first-to-file system rather than a first-to-use system.

CHAPTER IX. FOREIGN TRADE, IMMEX, AND INTERNATIONAL TREATIES

9.1. Free Trade Agreements Entered into by Mexico

Mexico is one of the most open economies in the world, with a network of trade agreements that provides preferential access to more than fifty markets.

The most significant ones are:

- The United States-Mexico-Canada Agreement (T-MEC), in force since July 1, 2020, successor to TLCAN.
- The European Union–Mexico Free Trade Agreement (TLCUEM), to be modernized with an agreement in principle in 2024–2025.
- Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which includes Australia, Brunei, Canada, Chile, Japan, Malaysia, New Zealand, Peru, Singapore, Vietnam, and Mexico.
- Bilateral agreements with Israel, Japan, South Korea, the European Free Trade Association (AELC), Central America, Colombia, Panama, Uruguay, and others.
- Pacific Alliance (with Chile, Colombia, and Peru).

To take advantage of tariff preferences, products must comply with the rules of origin applicable under the relevant agreement, which requires proper determination of origin and the retention of supporting documentation for at least five years.

9.2. IMMEX Program (Manufacturing, Maquiladora, and Export Services)

It is the primary tool for promoting exports. It allows eligible companies to temporarily import, free of foreign trade taxes and VAT (upon certification), inputs, raw materials, parts, and components, as well as machinery, tools, and equipment, to be used in production processes whose final products are intended for export.

The categories of the IMMEX program are: Industrial (manufacturing), Services, Shelter, Corporate Holding, and Outsourcing. Authorization requires proof of investment, job creation, and a commitment to export, as well as maintaining an automated inventory control system in accordance with Annex 24 and Annex 31 of the General Rules of Foreign Trade.

9.3. Permanent Establishment and Maquila Regime

For foreign companies (typically U.S. residents) operating in Mexico through a maquiladora entity, Articles 181 through 183-Bis of the Income Tax Law establish a special regime. The maquiladora operates under the safe harbor principle, paying income tax on the greater of two amounts: 6.9% of the value of the assets used or 6.5% of the total amount of costs and expenses. By complying with this regime, the foreign parent company is not considered to have a permanent establishment in Mexico.

As an alternative to the safe harbor, the maquiladora may operate under an APA (Advance Pricing Agreement) negotiated with the SAT.

9.4. Importer Lists

- Register of Importers: an essential requirement for making permanent or temporary imports. It is processed through the SAT using a valid e-signature, a positive compliance opinion, a registered tax address, and a legal representative with a CURP.
- Sector-Specific Registers: required to import sensitive goods such as steel, chemicals, footwear, textiles, electronics, steel products, automobiles and auto parts, ethyl alcohol, and alcoholic beverages.
- Register of Certified Companies (VAT-IEPS and AEO – Authorized Economic Operator Schemes): allows for the temporary importation of inputs without actual payment of VAT under the IMMEX regime and streamlines customs clearance.

9.5. General Rules for Foreign Trade and Mexican National Standards (NOMs)

Imports into the country are subject to compliance with Mexican Official Standards (NOMs), non-tariff regulations, health certifications, certificates of origin, labeling in Spanish, declarations of compliance, and, depending on the product, reports from accredited certification bodies. Non-compliance results in precautionary seizures, fines, and, in serious cases, confiscation of goods. It is essential to seek specialized advice from customs brokers and foreign trade consultants before beginning import operations.

CHAPTER X. STRATEGIC RECOMMENDATIONS AND FINAL CONSIDERATIONS

10.1. A Guide for Foreign Investors in Mexico

1. Carefully define your entry strategy before establishing any business entity. A Mexican subsidiary, a branch office, a joint venture with a local partner, or a maquiladora operation each have significantly different tax, labor, and operational implications.
2. Select the corporate structure based on the parent company's country of origin, the global tax strategy, and the expected governance. For U.S. investors, always consider the S. de R.L. de C.V. with the check-the-box election. For complex joint ventures, consider the S.A.P.I.
3. Robustly document the economic substance of any structure involving intercompany transactions. The anti-abuse clause in Article 5-A of the CFF, transfer pricing rules, and BEPS standards require substance, not just form.
4. Do not underestimate labor costs. Add between 40% and 55% to the nominal salary for social security, ISN, statutory benefits, and market benefits. Consider the impact of the prohibition on subcontracting personnel when designing your corporate structure.
5. Strictly comply with the obligations of the National Registry of Foreign Investments and those of the controlling beneficiary. The penalties for noncompliance are significant and, worse still, they are recurring.
6. Take advantage of international treaties to reduce withholding taxes on dividends, interest, and royalties, but ensure compliance with beneficial ownership and tax residency requirements.
7. Check for local tax incentives. States such as Guanajuato, Querétaro, Yucatán, Aguascalientes, and Coahuila offer corporate income tax (ISN) waivers, property tax exemptions, and support for new investments that can result in substantial savings.
8. Implement compliance programs from day one regarding anti-money laundering, personal data protection, anti-corruption, and consumer protection. Most new Mexican regulatory risks involve ongoing documentary compliance, not one-time obligations.
9. Anticipate the costs of winding up the business. The dissolution and liquidation of a Mexican company typically takes between 6 and 18 months, requires an accounting opinion, and results in residual tax liabilities. The exit process is not trivial.
10. Surround yourself with expert professionals. Selecting a notary, accountant, tax advisor, labor lawyer, customs broker, and banker are strategic decisions. Poor professional practices result in costs that are not only financial but also reputational.

10.2. Mexico's Competitive Advantages

- A prime geographic location and preferential access to the world's largest market through the USMCA, within a context of nearshoring.
- A skilled, young, and cost-competitive workforce.
- A network of more than 50 free trade agreements that provide preferential access to over 1.3 billion consumers.
- Robust industrial, logistics, and port infrastructure, particularly in the Bajío, the Northern Border, the Pacific, and the Southeast.
- A macroeconomically stable economy, with solid financial institutions and a growing capital market.
- A predictable legal framework for investment, with effective intellectual property protection and dispute resolution mechanisms.

10.3. Risks to Monitor

- Regulatory changes in strategic sectors such as energy, telecommunications, and mining.
- Constitutional and legal reforms in labor matters (40-hour workweek, expansion of rights).
- Strengthening of the SAT's audit powers and intensive enforcement of anti-abuse clauses.
- Adjustments to the Northern Border Free Zone regime and regional tax incentives.
- Evolution of regulations regarding digital platforms, cryptoassets, and e-commerce.
- Impact of the transformation process of autonomous regulatory bodies resulting from the recent constitutional reform.

10.3. Risks to Monitor

By 2026, Mexico will offer one of the most attractive investment platforms globally, particularly in the context of the restructuring of supply chains and the trend toward nearshoring. However, its regulatory framework is complex, multi-layered, and dynamic. Making informed decisions, supported by specialized professional advice on corporate, tax, labor, and foreign trade matters, is essential for foreign investors to capitalize on the opportunities the country offers and mitigate the risks associated with the operation.

This guide serves as a general reference document. It does not replace professional consultation for specific cases, in which the particularities of each investment, sector, and corporate structure must be analyzed. We stand ready to assist you at every stage of the process of establishing and operating in Mexico.

CONTACT US

Our team is ready to assist you with your investment and business expansion plans in Mexico.



WeChat



WhatsApp



Email

yyang@intela-asia.com



Phone

+52 322 395 7609



Website

www.intela-asia.com



Office Address

Manuel Ávila Camacho 201, Floor 3,
Polanco, 11560, Mexico City, Office 322

*Your strategic partner
for investing and
doing business in Mexico.*