

Country Tax Guide: Mexico



About this Guide:

This guide is based on information provided by international tax experts at IBFD to provide employers with a general overview of the tax treatment of key benefits in kind granted to resident employees. It is intended to offer practical insights to help multinational employers better understand potential tax implications when structuring benefit programs in-country. The guide does not include different tax concessions granted to non-residents and/or expatriates, tax reliefs employees may claim in their own tax returns, option arrangements and low interest bearing loans. While the content reflects extensive research and the expertise of IBFD, it is provided for informational purposes only and does not constitute formal tax advice. Employers are strongly encouraged to consult qualified tax advisors for guidance tailored to their specific business operations, workforce profile, and benefits design in the relevant jurisdiction.

Source of Information

The tax treatment of employee benefits in Mexico is primarily set forth in the Mexican Income Tax Law ("MITL"), particularly in Article 93, which addresses exempt income, and in Articles 94 through 99, which govern employment income provisions. The Regulations to the MITL complement these rules by establishing additional requirements and procedures. Further guidance is provided in the Miscellaneous Tax Resolution (*Resolución Miscelánea Fiscal*), including Annex 3, which contains non-binding criteria regarding social-welfare benefits and their delivery mechanisms allowed by the Mexican tax authorities. Monetary thresholds for exemptions are determined by reference to the *Unit of Measurement and Update* ("UMA", as per its acronym in Spanish) published by the Mexican National Institute of Statistics and Geography ("INEGI", by its acronym in Spanish).

For 2025, the UMA is set at MXN \$113.14 per day (equivalent to MXN \$3,439.46 per month or MXN \$41,273.52 per year), effective as of 1 February 2025.

Main principles

As a general rule, any payment or benefit received by an employee in connection with an employment relationship is considered taxable income, unless a specific exemption applies under Article 93 of the MITL. Social-welfare benefits (*previsión social*) may qualify for an exemption when they are granted on a general and non-discriminatory basis and remain within the statutory limits established by reference to the UMA. Any amount exceeding those limits is treated as taxable income.

For these purposes, Article 7 of the MITL defines social-welfare benefits as expenses incurred to address present or future contingencies or needs, as well as to grant benefits in favour of employees aimed at their physical, social, economic, or cultural advancement, with the ultimate objective of improving their quality of

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life and that of their families. Benefits granted to individuals who are not employees do not qualify as social-welfare benefits.

The exemption mechanism operates through a cap, where, in a simplified explanation: if an employee's total compensation (including social-welfare benefits), exceeds the equivalent of seven UMAs on an annual basis, then only the amount up to the value of one UMA (also on an annual basis) may be exempt. The portion exceeding that amount is subject to tax, provided that the calculation does not result in a combined taxable base below seven UMAs.

It should be emphasized that the Mexican Income Tax Law does not provide detailed exemption thresholds for each individual benefit. Instead, it defines the concept of social-welfare benefits (*previsión social*) and establishes that such benefits may be exempt when granted under the statutory conditions, subject to the global UMA-based cap¹. In other words, the UMA-based mechanism does not set separate exemption thresholds for each type of benefit. The law does not assign individual multiples of UMA (e.g., two UMAs for one benefit and four UMAs for another). Rather, the UMA cap applies globally to the aggregate amount of all exempt income derived from social-welfare benefits received by an employee, and the possibility of having an exemption must always be assessed considering the employee's overall exempt income derived from social-welfare benefits, not on a benefit-by-benefit basis.

In order to preserve the tax exemption for employees, benefits must be delivered in kind or through authorized instruments, such as vouchers approved by the Mexican tax authorities, where applicable. Non-binding criteria issued by the tax authorities, included in Annex 3 of the Miscellaneous Tax Resolution, explicitly discourage the use of cash or cash equivalents for these purposes.

Benefit types

Meals

- Meal benefits granted to employees in the course of their normal employment activities may qualify for favorable tax treatment under the MITL. These benefits are typically implemented either through food vouchers (*vales de despensa*) or through the operation of employer-sponsored canteens.
- Food vouchers are generally treated as social-welfare benefits (*previsión social*). They may be considered exempt income for the employee provided that, among other requirements, they are granted on a general basis and delivered exclusively through electronic cards issued by providers authorized by the Mexican tax authorities (see <https://www.sat.gob.mx/portal/public/tramites/monederos-electronicos> for more information), with the exemption subject to the general limits established under the MITL, namely the UMA-based cap mechanism described above (see Main Principles section).
- On the other hand, meals provided directly through canteens are not considered income for employees. Article 94 of the MITL expressly provides that dining services made available to employees, as well as the

¹ Please see the numerical example included at the end of this section.

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use of facilities or goods provided by the employer for the performance of work-related activities, do not constitute taxable income, provided that such services or facilities are consistent with the nature of the work performed. Accordingly, meals offered through canteens are classified as “non-income” for employees.

Cars

- The tax treatment of company cars in Mexico depends on the nature of their use. Article 94 of the MITL provides that the use of goods made available by the employer to employees for the performance of their work-related activities does not constitute taxable income, provided such use is consistent with the nature of the work performed. Accordingly, when a vehicle is assigned exclusively for business purposes, it is treated as “non-income” for the employee.
- The personal use of a company car can hardly be considered a social-welfare benefit (*previsión social*) within the meaning of Article 7 of the MITL. Consequently, any car made available by the employer for the personal use of employees will be treated as taxable income for the employees, valued at the fair market value of such benefit.
- If the employer does not lease or own the car directly but instead grants a cash allowance to cover automobile-related expenses for the employee, such allowance will be treated as taxable income for the employee.

Commuting

- Transportation benefits in Mexico are treated differently depending on the manner in which they are granted. When the employer directly provides transportation services for employees to commute between their homes and the workplace, for example, through company-owned or contracted buses, such benefits qualify as social-welfare benefits and may be exempt for employees, provided they are granted on a general basis and properly documented.
- By contrast, when cash payments or allowances are provided to employees to cover commuting expenses, these are unlikely to qualify as social-welfare benefits. As mentioned before, pursuant to the non-binding criteria set out in Annex 3 of the Miscellaneous Tax Resolution, benefits delivered in cash or cash-equivalents cannot be considered social-welfare benefits and are therefore treated as fully taxable income.
- There is no specific provision in the law that recognizes the reimbursement or delivery of a public transportation pass as exempt. If the employee pays for the pass and the company reimburses the expense, this is considered cash and therefore taxable (since the reimbursement to the employee is made in cash). If, instead, the employer directly provides the pass (i.e., the company purchases it and gives it to the employee), then it could arguably qualify as a social-welfare benefit and therefore be treated as exempt income, subject to compliance with the general requirements for social-welfare benefits.

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- Additionally, if the employer provides goods intended for commuting, such as bicycles or motorcycles, these benefits will likely not qualify as social-welfare benefits. Accordingly, their value should be treated as taxable income for the employee.

Childcare

- Childcare benefits are expressly recognized under the MITL as exempt income when provided as social-welfare benefits. Article 93, section VIII of the MITL establishes that expenses incurred by the employer in connection with childcare services (*guarderías infantiles*) qualify as exempt income for employees, provided they are granted on a general basis and in accordance with the conditions of social-welfare benefits.
- Childcare benefits remain subject to the general UMA-based cap mechanism described in the *Main Principles* section. Any amount exceeding the statutory threshold is treated as taxable income for the employee.

Well-Being

- Benefits aimed at promoting employees' health and overall well-being, such as healthcare services, physiotherapy, mindfulness courses, nutrition classes, or gym memberships, require a case-by-case analysis to determine whether they qualify as social-welfare benefits.
- As mentioned above, Article 7 of the MITL defines social-welfare benefits as expenses incurred to address present or future contingencies or needs, as well as to provide resources to employees that contribute to their physical, social, economic, or cultural development, with the goal of improving their quality of life and that of their families.
- Under this framework, well-being benefits may be treated as exempt income for employees when they fit within the statutory definition set forth in the MITL, are granted on a general and non-discriminatory basis, and comply with the UMA-based exemption limits described in the Main Principles section.
- Separately, the Mexican Government introduced legislation (known as Nom035 and championed by PRONABET, the National Program for Emotional Wellbeing and Human Development at work) that requires employers to address psychosocial risks in the workforce. This has led to an increased awareness of other health risks such as metabolic and nutrition risks with current [discussions](#) promoting tax incentives to employers who implement wellbeing programs aimed at addressing these risks.
- Given the discretionary room left to the tax authorities, certain benefits, particularly those that are not clearly linked to contingencies or quality-of-life improvements, may be subject to challenge.

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Tuition Assistance:

- The tax treatment of tuition assistance depends on the nature of the benefit and its beneficiaries. Where the employer provides tuition assistance for employees' minor children or other close family members, such benefits may qualify as social-welfare benefits (*previsión social*), as Article 7 of the MITL explicitly refers to the improvement of employees' quality of life "and that of their families." In general terms, the benefit must be granted in kind (not in cash or cash-equivalents), delivered on a generalized basis, and remains subject to the UMA-based exemption limits described in the Main Principles section.
- By contrast, tuition assistance aimed at the employee's own education or training requires a different analysis. When the training or course is directly related to the performance of the employee's job functions, such as technical courses or professional certifications, the benefit may be regarded as "non-income" under Article 94 of the MITL, as it constitutes a tool necessary for the performance of employment activities. However, when the benefit consists of higher education programs with a broader personal scope (for instance, funding an MBA for a single employee that is not required for the employee's current job duties), it does not qualify either as a social-welfare benefit or as non-income, and should be treated as taxable income for the employee.

Other Benefits, If Any

- The MITL does not provide for an exhaustive list of exempt benefits beyond those specifically mentioned in Article 93. Instead, the law relies on the general definition of social-welfare benefits (*previsión social*) established in Article 7, under which expenses intended to address contingencies or improve the physical, social, economic, or cultural conditions of employees and their families may qualify.
- Accordingly, the tax treatment of other benefits not expressly listed in the law must be assessed on a case-by-case basis to determine whether they fall within this definition. In all cases, the requirements of generality and proper documentation must be satisfied, and the exemption remains subject to the UMA-based threshold described in the Main Principles section.

Procedures

In Mexico, the employer is responsible for withholding income tax on employment income. Consequently, when providing employee benefits, the employer must determine the proper tax treatment of each benefit: whether it constitutes non-income (not subject to tax), exempt income (subject to the UMA-based thresholds described in the Main Principles section), or taxable income.

Any portion of a benefit that exceeds the applicable exemption threshold must be included in the employee's taxable base and will be subject to withholding at the rates established under Articles 96 to 99 of the MITL.

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Illustrative Example of the UMA-Based Exemption for Social-Welfare Benefits (for explanatory purposes only)

The following example is provided solely for illustrative purposes to show how the UMA-based exemption mechanism operates in practice. For 2025, the annual UMA value is MXN \$41,273.52 (7 UMAs = MXN \$288,914.64), as published by the Mexican National Institute of Statistics and Geography.

- **Case 1: Total income including social-welfare benefits does not exceed 7 UMAs (MXN \$288,914.64)**

- Taxable salary: MXN \$200,000
- Total social-welfare benefits: MXN \$50,000
- Total (salary + benefits): MXN \$250,000 → below 7 UMAs.

In this case, the full MXN \$50,000 of social-welfare benefits remains exempt.

- **Case 2: Total income including social-welfare benefits exceeds 7 UMAs, so the exemption is capped at 1 UMA (MXN \$41,273.52)**

- Taxable salary: MXN \$270,000
- Social-welfare benefits: MXN \$80,000
- Total (salary + benefits): MXN \$350,000 → above 7 UMAs.

Exempt amount is limited to 1 UMA (MXN \$41,273.52). The excess MXN \$38,726.48 (MXN \$80,000 - \$41,273.52) is taxable income for the employee.

- **Case 3: The sum of salary + 1 UMA is still below 7 UMAs**

- Taxable salary: MXN \$245,000
- Social-welfare benefits: MXN \$60,000
- Salary + 1 UMA = MXN \$286,273.52 → still below 7 UMAs (MXN \$288,914.64).

Exemption can be extended so that taxable salary + exempt benefits = 7 UMAs. In this example, the exempt amount is MXN \$43,914.64 (so that salary + exempt = MXN \$288,914.64). The remaining MXN \$16,085.36 of benefits is taxable for the employee.

- **Case 4: Salary alone already exceeds 7 UMAs**

- Taxable salary: MXN \$300,000
- Social-welfare benefits: MXN \$50,000
- Total (salary + benefits): MXN \$350,000 → salary by itself is already above 7 UMAs (MXN \$288,914.64).

In this case, the exemption for social-welfare benefits is automatically capped at 1 UMA (MXN \$41,273.52). The remaining MXN \$8,726.48 of benefits is taxable.

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The information contained in this country tax guide has been provided by the international tax experts at IBFD based on available data as of September 2025.

About IBFD: Founded in 1938 as the International Bureau of Fiscal Documentation, IBFD has developed into one of the most respected organizations studying and documenting international taxation systems and investment legislation. Today, the IBFD's activities include (but are not limited to) research and provision of tax information, databases and publications, consultancy for governments and tax administrators, and training on international tax matters for the public and private sectors. IBFD clients include ministries, international corporations, legal and accountancy practices, banks, educational institutions and others who look to the IBFD as a first-class source of information. As an independent, not-for-profit research foundation, the IBFD offers objective and unbiased information. For more information go to [IBFD.org](https://www.ibfd.org).