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**GIFT & INHERITANCE
TAXATION IN
MEXICO**

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Agenda

- No Transfer Taxes Formally
- Treated as Income
- Inheritance
- Gifts
- Non-Resident Recipients
- Proposed Amendment



No Transfer Taxes

- There are formally no succession, inheritance, or gift taxes in Mexico
- Accordingly, no Transfer Tax Treaties, potential for double taxation



Inheritance & Gifts as Income

- Generally considered items of income to the recipient
- Not necessarily taxable income
- Worldwide basis of taxation
- Individual Rate: 35% (highest marginal rate)



Income Tax – Succession

- Tax exempt income if correctly reported on annual return
- Carryover basis (no step up) on transfers in kind (but updated with inflation)
- Life insurance distributions generally tax free if from a Mexican insurer
- Are foreign trust distributions “succession income?”



Income Tax – Gifts

- Generally taxable to the recipient as income
- Tax exempt income if:
 - Among spouses
 - To descendants
 - To ascendants (with limitations)
 - Correctly reported on annual return
- Carryover basis (no step up) if exempt (updated with inflation)
- Step up basis if taxable (at FMV)



Foreign Heirs: Hidden Tax

- If heirs are not resident in Mexico: Source of Income Rules
- Mexican Shares and Mexican Real Property
- 25% Withholding Tax on FMV
- Transfers of these assets inter-vivos are expressly exempt (if among close family members)
- Generally no credit available in recipient's country



Proposed Amendment

- Aimed at correcting wealth inequalities
- Most OECD members have some form of transfer tax
- Clashes with AMLO's promise of no new taxes
- Maintains current exempt status of inheritance and gifts up to MXP10,000,000 (approximately USD 500,000)



Proposed Amendment

- Any inheritance or gifts above MXP 10MM subject to tax:

Between MXP10MM and MXP 50MM: (USD 500,000 and USD 2.5MM)	10%
Between MXP50MM and MXP 100MM: (USD 2.5MM and USD 5MM)	20%
Over MXP100MM: (Over USD 5MM)	30%
- Exempt for individuals with disabilities
- Revenue must be used to fund a new Universal Basic Income



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