



Employment Subsidy Decree

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On May 1, 2024, the Employment Subsidy Decree was published in the Mexican Federal Official Gazette establishing new provisions that regulate the application of such subsidy. This decree nullifies Article 1.12. of the "Decree that consolidates tax benefits and establishes administrative simplification measures", published in the Federal Official Gazette on December 26, 2013.

The Decree aims to modernize the fiscal mechanism for the Income Tax (IT) for employees, in order to protect the income of low-income workers and adjust the subsidy amount to account for increases in the minimum salary.

Key changes in the application of the employment subsidy include:

- The employment subsidy will now apply uniformly to workers whose monthly salary does not exceed MXN\$9,081.00 (USD\$478).
- The current variable table for employment subsidy is replaced by a fixed monthly payment equivalent to 11.82% of the monthly value of the Unidad de Medida y Actualización (UMA, per its acronym in Spanish), amounting to approximately MXN\$390.00 pesos (USD\$20.5).
- The employment subsidy may be applied up to the amount of the IT payable; if the IT owed is less than the subsidy, no additional amount will be paid. This applies on both a monthly and annual basis.
- This incentive will not apply to monthly income from seniority premiums, retirement and severance payments or other separation payments.

- Since the amount of the employment subsidy is referenced to the monthly UMA value, it will automatically adjust on an annual basis.
- Workers who render services to more than one employer must designate the employer who will apply the employment subsidy before receiving their first payment corresponding for subordinate personal services. They must notify this employer in writing.
- The employment subsidy will not be cumulative for IT purposes.

As part of this decree, the Tax Administration Service (SAT, per its acronym in Spanish) is authorized to issue general rules necessary for the proper application of this decree. We will keep you informed of any updates and future rules that the SAT may issue regarding the employment subsidy.

The decree took effect on May 1, 2024, so it is important to review tax payers' payroll systems and internal procedures to ensure proper application of the employment subsidy in relation to the salaries paid to workers.

Our tax team is available to answer any questions or provide additional insights on the contents of this document.

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Authors:

Jose Manuel Ramirez
Santiago Chacón
Alfredo Garcia
Eduardo Salinas
Mauricio Escandon
Karla Lorena Covarrubias
Monica Montes de Oca