

Could you wait for me a moment?

¿Puede esperar un momento?

travelling outside Canada, and you will be taxable in Canada on your world income. For assistance in determining your residency status or filing a Canadian income tax return, contact the International Tax Services Office of the Canada Customs and Revenue Agency (see "For More Information").

Employees rendering services temporarily in Mexico, for no more than 183 days in a 12-month period, are considered non-residents. They are exempt from Mexican personal income taxes on income from an employer that does not have a permanent establishment in the country. If a company has a permanent establishment in Mexico, it will be considered as providing Mexican-source income to the individuals involved. In this case, employees will pay taxes in one of two ways.

- Those who take up residency must file a normal income tax return in Mexico.
- Those who are classified as non-residents will have taxes withheld at source.

Individuals will be considered residents of Mexico when they have established a home in Mexico unless they are physically in another country for more than 183 days in a calendar year. They must also be able to prove residency for tax purposes in that other country. Foreigners working in Mexico under an FM-3 business visa are not generally considered residents for tax purposes unless they establish their principal home in Mexico.

Residents are subject to progressive income tax rates. The top marginal tax rate for the 2001 taxation year was 42 percent for individuals and 32 percent for businesses. Tax brackets are indexed to inflation and adjusted quarterly.

Non-residents on temporary assignment for a permanent establishment, up to 183 days a year, pay taxes on their Mexican-source income at special rates. Amounts less than US\$10,000 annually are exempt, and the rate is 15 percent up to US\$90,000. After that, taxes are withheld at the rate of 30 percent. Taxes withheld at source are considered final, with no return being filed.

Tax Treaty

In 1992, Canada became the first country to sign a bilateral tax