

MEXICO



With a population of 127.5 million inhabitants, Mexico is the 11th most populous country in the world and the most populous country in the Spanish-speaking world. Located in North America has a varied geography that includes deserts, mountains, tropical rainforests, and coastline along the Pacific Ocean, the Gulf of Mexico, and the Caribbean Sea.

Pre-Columbian Mexico was one of the world's cradles of civilization and home to civilizations including the Olmec, Maya, Zapotec, Teotihuacan, Purepecha, and Aztecs. Its income comes from a diverse range of industries, including manufacturing, agriculture, tourism, and oil production. It is a major exporter of goods such as automobiles, electronics, petroleum, and agricultural products.

NORTH AMERICA

NATIONAL HOLIDAYS

Mexico celebrates many official public holidays, including the following:

JAN 1	New Year
FEB 5	Constitution Day
MAR 21	Benito Juarez Day
MAR 29	Good Friday* (*Date may vary)
MAY 1	Labor Day
SEP 16	Independence Day
NOV 2	All Souls' Day
NOV 20	Mexican Revolution
DEC 1*	Change of Government* (*It happens once every 6 years)
DEC 25	Christmas

EMPLOYMENT CONTRACTS

In Mexico, labor relations between employers and the worker is formalized through an individual employment contract, which stipulates the rights and obligations of both parties. In accordance with the provisions of the Federal Labor Law (LFT) in force, for an employment relationship to exist, a written or oral

Labor relations can be:

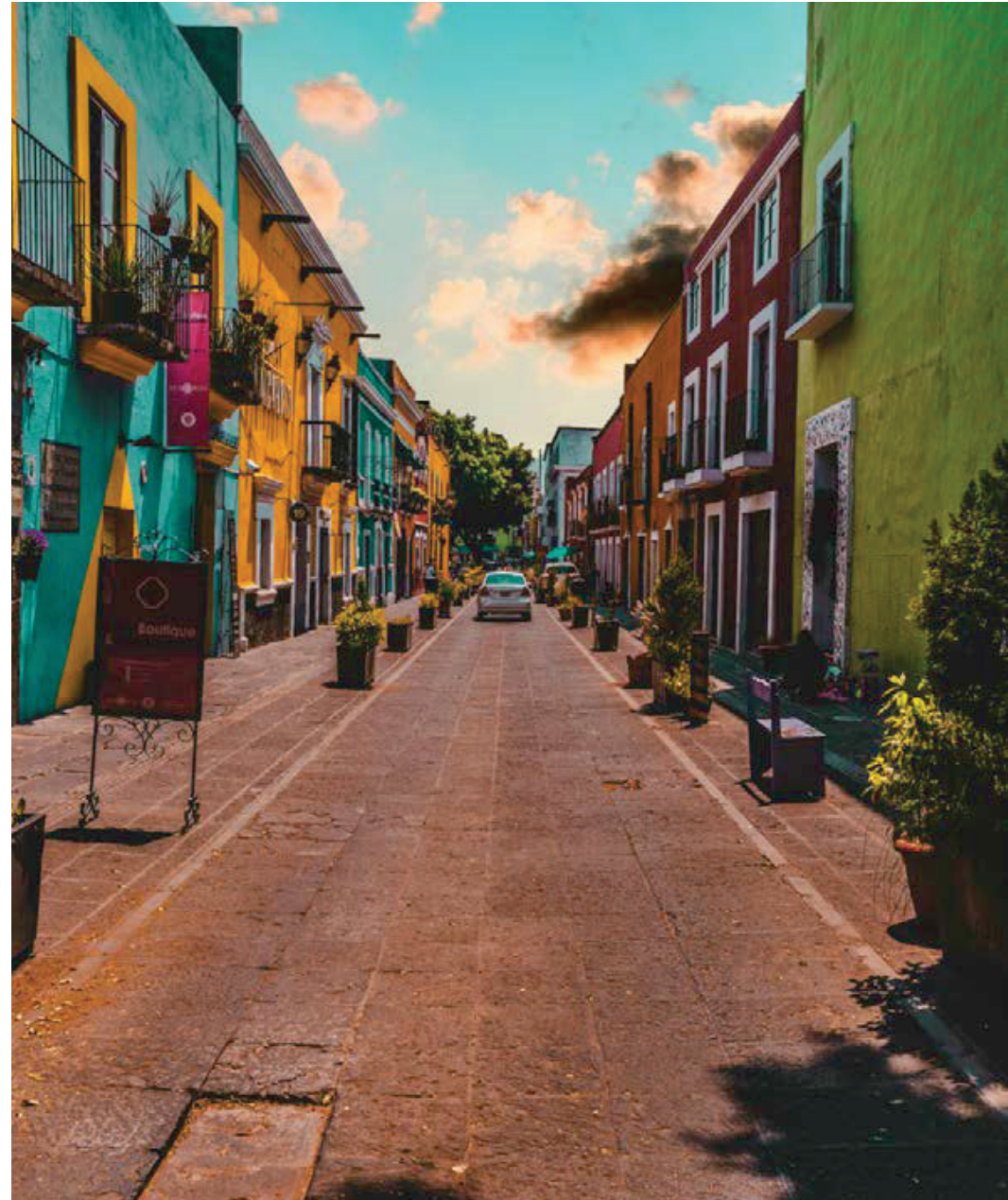
FOR A SPECIFIC WORK: This type of contract is designed for situations where the nature of the work demands it. It can become indeterminate if the reason for the period is not specified. SGF Global, while not recommending this type of contract due to the lack of details, acknowledges its flexibility in particular work scenarios.

FOR A SPECIFIC TIME OR SEASON: Only when required by the nature of the work or when its purpose is temporarily replacing another worker.

FOR AN INDEFINITE PERIOD: It does not establish special conditions for its duration and can be terminated at any time by either party. Any contract lasting more than three months will become indefinite, and the worker will have the right to claim a full severance, which will be charged to the client.

FOR TRIAL PERIODS: This type of contract applies only to employment relationships for an indefinite period or longer than 180 days. It cannot exceed 30 days, and its purpose is to verify that the worker meets the requirements. In certain cases, such as positions of direction, management, administration, or specialized professionals, it can be extended to 180 days.

FOR INITIAL TRAINING: The purpose of this



necessary for the activity months in the case of management, administration or specialized professionals.

Any contract that lasts longer than **three months** by law becomes **indefinite**.

WORKING HOURS

In Mexico, there are no hourly or weekly contracts. Workers can work **48 hours per week, 8 hours per day**. If the 8 hours are passed, the worker can claim overtime. However, there are three work shifts stated in Mexico's federal labor law:

DAY SHIFTS: comprise **48 hours per week** (between 6 am to 8 pm)

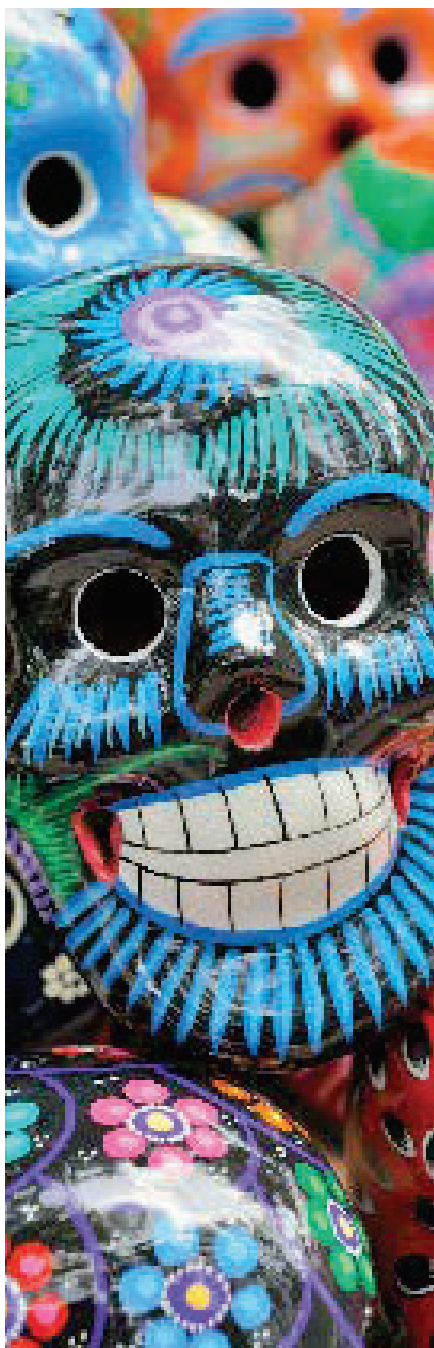
NIGHT SHIFTS: comprise **42 hours per week** (between 8 pm to 6 am)

MIXED SHIFTS: comprise **45 hours per week**.

The maximum weekly and daily working hours can differ as stipulated in employment contracts/ collective bargaining agreements.

If work time limits are passed, compensation of overtime is compulsory. Overtime is paid at **150%** of the normal payment in the first 9 hours and **200%** of the normal payment after the 9th hour of overtime. Employers must pay **200%** for overtime and **25%** (Sunday Premium) on Sundays or Bank Holidays. Every employee must be given at least one **24-hour rest** period each week.

The maximum weekly and daily working hours can differ as stipulated in employment contracts/ collective bargaining agreements.



BONUS REQUIRED BY LAW

Employees are entitled to a yearly bonus known as an **Aguinaldo**.

The **minimum** Aguinaldo each year is equal to **15 days of salary**. In most cases, the Aguinaldo amounts to four weeks' pay, and in some larger companies, it can be up to six weeks.

The Aguinaldo is normally paid in December, although companies that pay six weeks usually pay four weeks in December and two weeks in summer.

VACATIONS

Paid leave in Mexico is outlined in the employment contract as a minimum of 12 days paid holiday per year, plus an additional two days per year of service following the completion of one year of service. Following the completion of five years of service, two additional days are added every five years, as detailed in the table below. Unused leave can carry over for six months.

A vacation premium must be paid an extra **25%** pay for each leave day.

1 YEAR	12 days
2 YEARS	14 days
3 YEARS	16 days
4 YEARS	18 days
5 YEARS	20 days
6+ YEARS	22 days, increasing by 2 days for every 5 years of service, capped at 32 days.

SICK LEAVE

Sick leave is authorized only and exclusively by a Social Security (IMSS) doctor in a Social Security hospital with a Social Security pass.

It is paid by Social Security (IMSS). Eligible employees are entitled to up to **52 weeks** of paid sick leave at **60% of the regular salary** when verified by IMSS affiliated medical authorities. In the case of a **work-related injury**, the employee is entitled to **100% of the regular salary**.

PARENTAL LEAVE

All female employees are entitled to **12 weeks** (or 84 days) of paid maternity leave, which the employee must take **six weeks before the birth** and **six weeks after that**.

The maternity pay is calculated at full pay, capped at 25 times daily UMA, and covered by the Social Security (IMSS). The application for maternity leave must be supported by a medical certification issued by an IMSS approved clinic or a private medical institution.

Female employees are also entitled to **six weeks**

of paid **adoption leave** after the child (a minor) is handed to them.

When it comes to paternity leave in Mexico, the father is entitled to mandatory paid paternity leave of **5 days with a Birth Certificate**. There is

PROBATIONARY PERIOD

Employers in Mexico are allowed to establish a probationary period of up to 30 days. This period can be extended under certain circumstances for 3 months, but it has to be well supported.

TERMINATION

Employment agreements can be terminated for the following reasons:

- a) By mutual agreement (including resignation);
- b) Death of the employee;
- c) Employee's physical or mental incapacity or disability, which makes working impossible;
- d) With cause.

Termination payments include:

- a) Outstanding wages;
- b) Accrued vacation;
- c) Vacation bonus;
- d) 13th-month (**Aguinaldo bonus**);
- e) Any other bonus or commission;
- f) If terminated without cause, severance and seniority bonus payments are due;
- g) Other payments under the employment contract, such as gratuity, provident fund, etc.

When the employer wants to dismiss **without cause**, the employee is entitled to:

- a) Three months of pay;
- b) 20 day's salary for each year of service;
- c) Seniority Premium.

The three months of severance pay would be paid on full salary, which includes premiums, bonuses, commissions, and benefits.

Seniority bonus is a **12 days pay**, capped at twice the rate of the statutory minimum wage, per year of service.

When the employee chooses to have his contract terminated, he should notify **15 days** in advance.

TAXES

Payroll taxes in Mexico are divided between employers and employees:

EMPLOYERS

SOCIAL SECURITY CONTRIBUTIONS (IMSS), THIS INCLUDES RETIREMENT AND NATIONAL HOUSING FUND (MAXIMUM ANNUAL CONTRIBUTION 160,215 MXN)	17.00%
STATE PAYROLL TAX	up to 3.00%
TOTAL EMPLOYMENT COST	20.00%

Additionally, the employer pays **Value-Added Tax (VAT)** at the general rate of **16%**. Mexican business entities must withhold VAT on payments for services involving ground transportation of



transportation of goods. They must also withhold VAT on commissions paid to individuals, independent services provided by Mexican individuals, and tangible goods leased from individuals.

EMPLOYEES

SOCIAL SECURITY CONTRIBUTIONS (IMSS) (MAXIMUM ANNUAL CONTRIBUTION 22,913 MXN)	1.65%
RETIREMENT/OLD AGE INSURANCE	1.125%
TOTAL EMPLOYMENT COST	2.775%

Employees pay progressive income tax in Mexico. The top rate is approximately **35 percent**, as shown on the table below:

SALARIES UP TO MXN 8,952.49	1.92%
MXN 8,952.50 TO MXN 75,984.55	6.40%
MXN 75,984.56 TO MXN 133,536.07	10.88%
MXN 133,536.08 TO MXN 155,229.81	16.00%
MXN 155,229.81 TO MXN 185,852.57	17.92%
MXN 185,852.58 TO MXN 374,837.88	21.36%
MXN 374,837.89 TO MXN 590,795.99	23.52%
MXN 590,796.00 TO MXN 1,127,926.84	30.00%

MXN 1,127,926.85 TO MXN 1,503,902.46	32.00%
MXN 1,503,902.47 TO MXN 4,511,707.37	34.00%
OVER MXN 4,511,707.38	35.00%

HEALTH INSURANCE

Private medical insurance is not mandatory (optional), and SGF Global offers two policies: 6,000 MXN or 50,000 MXN.

EMPLOYEE BENEFITS

The employee benefits offered by SGF Global Mexico are the minimum benefits required per law. Those are:

- a) **12 days vacations (after the 1st year)**, with an increase in a rate of 2 days per worked year (please check the “**Vacations**” item for more information);
- b) **25% Vacation Premium** (please check the “**Vacations**” item for more information);
- c) **Aguinaldo bonus** (please check the “**Bonus Required by Law**” item for more information).

LABOR LAW - NUMBER VALID PAGE

Check out more about labor laws in Mexico in the link below:

MEXICAN FEDERAL WORK LAW (LEY FEDERAL DEL TRABAJO): <https://mexico.justia.com/federales/leyes/ley-federal-del-trabajo/>

HOME OFFICE/HYBRID WORK - LAW - GUIDANCE

Hybrid or remote work is allowed. However, for

any **home-office** portion of the work, the employer is obligated to accommodate workers a place to work and contribute with internet and power expenses.

The employer should also operate branches in every “work office location” where the authorities can inspect working conditions. That is why SGF Global Mexico made our office the working place for everybody.

FOREIGN EMPLOYEES: WHICH PAPERS DO THEY NEED TO BE CONTRACTED BY LOCAL LAW? MAXIMUM QUOTA ALLOWED.

Any foreigners coming to work in Mexico will need to apply for a **work permit** and **resident visa**. The **National Institute of Immigration** oversees all immigration in Mexico, and issues work visas.

Mexico has a **temporary** and **permanent visa**; the employee should apply for **both** jointly with the prospective employer.

A **temporary resident visa** is for foreign nationals who want to live in Mexico for **more than 180 days**. In addition to the Mexico work permit, people with a temporary resident visa can live and work in the country **for up to four years** with a Mexico **work visa**.

After completing **four years of service** (with the same company), a foreigner may apply for a **permanent resident visa**.

