



IN THE BUSINESS OF YOUR SUCCESS™

PAYROLL IN MEXICO

Frequent, complex
and partially manual

Recibo de
nómina

ADP STREAMLINE™

MULTI-COUNTRY PAYROLL & HR ADMINISTRATION

HR. Payroll. Benefits.

Payroll in Mexico: Short cycles and labor-intensive tasks

With its high frequency, manual processes, various benefits and different taxes and social contributions, payroll in Mexico is nothing less than complex. In particular, companies must pay blue-collar workers every week. They also must collect a copy of payslips signed by employees.

IDENTITY

- Employee number
- Name
- R.F.C. (Federal Taxpayer Registry)
- I.M.S.S. (Mexican Social Security Institute)
- Term
- Date of Payment
- Date of Entry
- Shift
- Daily Wages
- Department
- Position
- Number of hours worked in the week
- Acc. Company Savings Fund
- Acc. Employee Savings Fund
- Total balance

EARNINGS

- Wages
- Wages for seventh day worked
- Bonus for Punctuality
- Bonus for Unmissed days
- Company Contributions to the Savings Fund
- Food vouchers

EMPLOYEE'S COPY

COMPANY'S COPY

ADPMX

NUMERO	NOMBRE	R.F.C.	I.M.S.S.				
13	XXXXXXXXXX	XXXX	0392782000X				
PERIODO		FECHA DE PAGO					
27/AGO/2012 al 2/SEP/2012		7/SEP/2012					
INGRESO	TURNO	S. DIARIO					
2010/11/29	Equipo M	\$103.00					
DEPARTAMENTO		PUESTO					
PRODUCCION		REPARADOR					
HORAS TRABAJADAS EN LA SEMANA							
LUNES	MARTES	MIERCOLES	JUEVES	VIERNES	SABADO	DOMINGO	TOTAL
8	8	8	8	8	8		48
AC. FONDO DE AHORRO CIA.		5152.67	AC. FONDO DE AHORRO EMP.		5152.67	SALDO TOTAL	
						10305.34	
PERCEPCIONES				DEDUCCIONES			
Sueldo	006.00	1,158.00	Cuota I.M.S.S. EM	007.00	18.42		
Sueldo Septimo Día	001.00	193.00	Cuota I.M.S.S. CV	007.00	16.13		
Premio de Puntualidad	007.00	50.00	I.S.R.	001.00	50.98		
Premio de Asistencia	007.00	50.00	Credito Infonavit	007.00	357.69		
Fdo Aho. Aport. Empresa		135.10	Vales Despensa	001.00	149.00		
Vales Despensa	001.00	149.00	Fondo de Ahorro Aport. Empresa		135.10		
			Fondo de Ahorro Aport. Emplead		135.10		
			Cuota Sindical	007.00	1.19		
			Seguro Sindicato	007.00	7.46		
			Poliza Daños Vivienda	001.00	1.88		
			Muebleria Elizondo	001.00	88.41		
SUBTOTAL		\$1,735.10	NETO A PAGAR		\$773.82		

EL SALARIO POR EL PERIODO SEÑALADO EN ESTE RECIBO, ESTA SUMA INCLUYE SALARIO ORDINARIO, EXTRAORDINARIO SI LO HUBIERA, SÉPTIMO DÍA, Y DEMÁS PRESTACIONES A MI FAVOR, DECLARANDO QUE SE ME OTORGÓ EN LA JORNADA DIARIA LA MEDIA HORA PARA DESCANSO Y/O ALIMENTOS Y SE ME HICIERON LOS DESCUENTOS DE LEY, MÁS LOS PREVIAMENTE POR MÍ AUTORIZADOS Ó RECONOCIDOS POR FALTAS INJUSTIFICADAS. QUEDA EN MI PODER UN COMPROBANTE DETALLADO DE ESTA LIQUIDACIÓN Y NO SE ME ADEUDA SALARIO ALGUNO A ESTA FECHA.

PAYROLL MANAGEMENT IN MEXICO:

- Different payroll cycles within the same company
- Obligation to collect a copy of the payslip with employee's signature
- Management of special benefits such as food vouchers
- Collection of real estate loan payments from employees
- Federal and state tax calculations at regular payroll intervals

DEDUCTIONS

- I.M.S.S. (Mexican Social Security Institute) Contribution to EYM (Sickness and Maternity Insurance)
- I.M.S.S. (Mexican Social Security Institute) Contribution to CVY (Unemployment and Retirement)
- Income Tax
- Infonavit loan (Workers Housing Fund Institute)
- Food vouchers
- Company contributions to the Savings Fund
- Employee contributions to the Savings Fund
- Union Dues
- Union Insurance
- House Insurance
- Elizondo Furniture Store

Recibo de nómina

Four different pay cycles

There are four different pay cycles in Mexico. As blue-collar workers must be paid weekly, many companies have mixed payroll cycles.



Mexican companies can pay their employees on a weekly (every seven days), bi-weekly (every 14 days), semi-monthly (every 15 days) or monthly (every 30 days) basis, but blue-collar workers must be paid every week by statutory requirement. As a result, most companies have mixed payroll cycles, which means five or six cut-off dates each month: they really are in a continuous payroll process.

Payroll calculations are complex. There are three minimum wages in Mexico which vary according to geographic criteria. Overtime is paid above nine hours or if it occurs during a vacation period at double and even triple the regular wage. Hours worked on the seventh day, which

is normally the weekly day of rest, are also subject to a surcharge. Furthermore, wages are often accompanied by various weekly bonuses—attendance bonuses and punctuality bonuses—or deductions for tardiness.

Given the numerous payroll cycles and the need to collect all this data on a day-to-day basis, payroll processing in Mexico is particularly demanding.

Various benefits including food vouchers

In Mexico, companies are required to pay various bonuses and allowances. Many of them also offer optional benefits.

All employees in Mexico are entitled to a Christmas bonus and to a vacation premium. Many companies also provide food vouchers; distributing these to each employee is an additional administrative burden.

Each month all companies make contributions to a workers' housing financing agency, INFONAVIT, from which employees can take out property loans. Each month the employer deducts the mortgage payments on these loans from the employee's salary. A similar scheme exists to aid with the acquisition of capital goods (FONACOT).



A lot of companies also give their employees the option to contribute to a savings account with monthly payments that are matched by the employer.

There are also optional benefits, like savings funds and food vouchers that employees can use to pay in shops.

Behind a Mexican payslip

IDENTITY

- Detailed information about the employee, including job position, start date with the company, tax ID number (RFC) and social security number (IMSS). The daily wage is used as the basis for calculating remuneration.
- The period worked is specified as it may vary from one week to one month.

HOURS WORKED DURING THE WEEK

- Hours worked each day of the week on this weekly payslip.
- The legal length of the workday ranges from 7 to 8 hours a day depending on whether the employee works at night. Hours worked in excess of that figure incur a surcharge.

SALARY AND PREMIUMS

- Septimo día: After six days of work, the employee is entitled to a paid day of rest.
- Asistencia / puntualidad: Attendance and punctuality bonuses are paid each week.
- The company is required to pay a Christmas bonus equal to at least 15 days of wages by the 20th of December of each year.
- Employees receive a vacation premium of no less than 25% of the wages they receive during the vacation period.
- All companies are also required by law to distribute a profit sharing called PTU (Participación a los Trabajadores de las Utilidades) based on the employer's net taxable income.

OPTIONAL BENEFITS

- Fondo de Ahorro Aport: Some companies offer savings plans with a matching scheme. The payslip lists the employee's contribution and the employer's matching payment.
- Vales despensa: Food vouchers, or vales despensa, are a very common benefit in Mexico which improve buying power in stores.

EMPLOYEE'S COPY

COMPANY'S COPY

ADPMX

NUMERO	NOMBRE	R.F.C.	I.M.S.S.					
13	XXXXXXXXXX	XXXX	0302702000					
PERIODO	FECHA DE PAGO							
27AGO2012 al 31SEP2012	29SEP2012							
INGRESO	TURNO	S. DIARIO						
20101120	Equipo M	\$100.00						
DEPARTAMENTO	PUESTO							
PRODUCCION	REPARADOR							
HORAS TRABAJADAS EN LA SEMANA								
LUNES	MARTES	MIERCOLES	JUEVES	VIERNES	SABADO	DOMINGO	TOTAL	
8	8	8	8	8	8	8	48	
A.C. FONDO DE AHORRO CIA.	5102.07	A.C. FONDO DE AHORRO EMP.	5102.07	SALDO TOTAL	20305.34			
PERCEPCIONES				DEDUCCIONES				
Sueldo	006.00	1,158.00	Cuota I.H.S.S. EPH	007.00	18.42			
Sueldo Septimo Día	001.00	193.00	Cuota I.H.S.S. CYV	007.00	16.13			
Premio de Puntualidad	007.00	50.00	I.S.R.	001.00	50.00			
Premio de Asistencia	007.00	50.00	Credito Infonavit	007.00	357.60			
Fdo. Ahor. Aport. Empresa	135.10	149.00	Vales Despensa	001.00	149.00			
Vales Despensa	001.00	149.00	Fondo de Ahorro Aport. Empresa		135.10			
			Fondo de Ahorro Aport. Emplead		135.10			
			Cuota Sindical	007.00	1.19			
			Seguro Sindical	007.00	7.40			
			Poliza Daños Vivienda	001.00	1.00			
			Muebleria Elizondo	001.00	88.41			
SUBTOTAL				\$1,735.10	NETO A PAGAR			\$961.26
<p>EL SALARIO POR EL PERIODO SEÑALADO EN ESTE RECIBO, ESTA SUMA INCLUYE SALARIO ORDINARIO, EXTRAORDINARIO SI LO HUBIERA, SÉPTIMO DÍA, Y DEMÁS PRESTACIONES A MI FAVOR, DECLARANDO QUE SE ME OTORGÓ EN LA JORNADA DIARIA LA MEDIA HORA PARA DESCANSO Y/O ALIMENTOS Y SE ME HICIERON LOS DESCONTOS DE LEY, MÁS LOS PREVIAMENTE POR MÍ AUTORIZADOS O RECONOCIDOS POR FALTAS INJUSTIFICADAS. QUEDA EN MI PODER UN COMPROBANTE DETALLADO DE ESTA LIQUIDACIÓN Y NO SE ME ADEUDA SALARIO ALGUNO A ESTA FECHA.</p>								

SOCIAL SECURITY DEDUCTION

- All employees contribute to the Mexican Social Security Institute (IMSS).
- Cuota IMSS EYM: Contributions for retirement pension and unemployment insurance.
- Cuota IMSS CYV: Contributions for health care and maternity leave.
- The employer's contributions do not appear on the payslip.

INCOME TAX

- ISR: Income taxes. The company withholds a payroll tax (ISR) at the source; the rate varies according to salary. The tax is calculated on an annual basis, with monthly payments in advance.

LOANS AND ASSURANCES

- Crédito INFONAVIT: Repayment of property loans borrowed from the National Fund for Employee Housing.
- Poliza Daños Vivienda: Insurance policy on the mortgage taken out with INFONAVIT.
- Muebleria Elizondo: Repayments of a consumer loan. Companies are responsible for collecting monthly payments to reimburse loans taken out by the employees with the National Fund for Workers Consumption (FONACOT), a government agency that provides low-interest loans to people with low incomes so they can buy household appliances, furniture, school supplies and other necessities.

UNION

- Cuota sindical: Union dues. If there is a union, membership is mandatory and dues are withdrawn directly from the employee's wages.
- Seguro sindicato: Supplemental insurance purchased from the union. Unions often offer accident insurance, which is funded by the payments withheld from their salaries.

A lot of manual handling

Companies are legally required to collect and keep on file a copy of the payslip bearing the employee's signature. This requires a lot of manual handling and limits the use of electronic payslips.

Companies are legally required to retain a copy of each payslip with the employee's signature in order to prove that the wages were indeed paid. Therefore they must print and distribute two copies of each payslip; one of these is kept by the employee and the other is signed and filed. This requires considerable handling and time, especially when a large number of employees are paid on a weekly basis. Failure to collect the signed payslips opens up the company to risk in the event of a dispute with its employees.



Moreover, this obligation limits the use of electronic payslips to the extent that there is no validated means for gathering electronic signatures.

A comprehensive tax and social welfare system

Companies calculate and withhold income tax from their employees. In addition to tax authorities, they interact with a lot of third parties that collect social security contributions paid by employers and employees as part of the social welfare scheme.



In Mexico, federal income taxes are withheld at the source. It is incumbent upon the employer to calculate and withhold each month a sum calculated on the basis of the previous year's income. The company files annual income tax statements for certain employees, notably those with the lowest earnings. In addition to federal taxes, some cities levy local payroll taxes, whose amounts vary.

Each month, employees also make payments to the Mexican Social Security Institute (IMSS) which provides medical coverage, a retirement pension and unemployment insurance. The employer also funds the IMSS, but its contributions do not appear on the payslip. The amount paid is proportional to the salary and level of risk encountered by the employee on the job. This is compounded by the payment of a sum equal to 2% of salary to the Retirement Savings System (SAR).

Recibo de nómina

ADP STREAMLINE™

Borderless Human Resources



A MULTI-COUNTRY PAYROLL SERVICE

ADP Streamline's outsourced service enables you to harmonize your company's multi-country payroll and human resources administration.

UNIQUE BENEFITS

Whatever your size, type of organization, and geographical footprint, you can rely on ADP Streamline to be your trusted business partner and single point of accountability.

We ensure statutory payroll compliance worldwide, support deployment and control of your corporate policy, and international expansion.

GEOGRAPHICAL FOOTPRINT

ADP Streamline serves clients in 80 countries, and it will serve 91 in the coming months.

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