

PROPERTY TAXES IN MEXICO

by Alicia Parra

Just as in any other country, Mexico depends upon income from the annual tax on property to keep local governments functioning and provide important local services for the region.

The good part is that the annual tax assessed on Mexican properties is often less than it might be for property in many other countries! And, if the tax is paid in full during the first two months of the year, a discount is available in many municipalities.

Property taxes are calculated each year using a basic value for the property which has been established by the department. Rates vary throughout Mexico. A typical charge however, for a residential dwelling is 6.5 pesos per 1,000 of assessed value; for commercial, rental properties or residential dwellings used seasonally, the rate is 13 per 1,000 and for unimproved lots the rate ranges from 6.5 to 52 pesos per 1,000, depending upon whether the property is urban or rural. A rate may be modified if the lot is very deep, access is poor or other factors give more or less value to the property being assessed. Request for consideration of a lower tax rate must be presented in writing to the tax department for its review.

Property taxes can be paid in up to six installments; due the first ten days of each second month (i.e. January, March, May, July, September, and November). This is a helpful payment method for many who are on tight budgets. For those who can pay the tax in one lump payment at the beginning of the year, it makes sense to make the payment prior to the end of February, if a discount for early payment is offered. Not only does it save money for the property owner but also it helps the local government with its cash flow and in planning for its important activities.

Just as in other parts of the world, property taxes in Mexico must be current prior to transfer or sale of a property. A certificate from the Property Tax department is a prerequisite for the preparation of a deed (*escritura*).

It makes sense to pay taxes on time. The penalties can be high for late payment, up to 3% per month for past due taxes. In the event property

taxes are not paid for several years, a tax lien is placed on the property and fees and penalties for removal of the lien can triple the normal tax amount very quickly.

Unfortunately, property tax departments throughout Mexico do NOT send out annual tax bills. Thus the foreign property owner will either go to the property tax office with a previous tax bill, or have someone else do it. It is essential that the owner have the Property Tax Number (*Clave Catastral*) for the property. The billings are filed by number, not by name.

Important note: Property tax amounts are often NOT available before mid-January to early February of the year the tax is due!!!

One of the inevitable duties of property ownership in any country is the payment of taxes. Better to do it right and avoid headaches and penalties later!

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*This article is written by Alicia Parra, Executive Closing Officer for **the settlement company**® the FIRST company in Mexico dedicated to processing the closings and registrations of Mexican real estate for foreign buyers and sellers. It handles closings and transfers on properties located throughout Mexico and can provide title search and title insurance on many properties throughout the country. It also provides a service for payment of property taxes and bank fees...*

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