

TAX REFORM

SOCIAL BENEFITS EXPENSES

Fiscal Area, January 2016.



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On November 18, 2015, the “budget package” was published in the Official Gazette of the Federation it contained various amendments to multiple provisions; among them was a change to the Income Tax Law, thorough which the regulations concerning deductible limits on social benefits were eliminated.
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The fourth and last paragraphs of section XI of Article 27 of the Income Tax Law (LISR for its initials in Spanish *Ley del Impuesto sobre la Renta*) were deleted; these provisions established:

- a) The requirement of generality for nonunionized employees concerning social benefits. The article in question provided that in events dealing with nonunionized employees, it was foreseen that social benefits were general in nature, when they were granted to all of them and further provided that (with the exclusion of social security contributions), they were granted in the form of an arithmetical average for each nonunionized employee, equal to or less than the contributions effectuated for each unionized employee.
- b) The deductibility limitations on contributions for social benefits allowances granted to nonunionized employees, consisting of a the deductible amount that may not be in excess of ten times the annual general minimum wage corresponding to the employee over one year period, after exclusion of social security contributions, contributions to savings funds and contributions to retirement and pension funds being supplementary to those established by the Social Security Law.

For the above, those individuals who have challenged said precept through an injunction relief action (*juicio de amparo*), should a favorable sentence be granted, will exclusively enjoy respective protection during the years 2014 and 2015.

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Please feel free to contact us for any comments or queries that you might have in connection with this letter.

Best regards,

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