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## **Tax withholding for remote workers and freelancers in Mexico**

The growth of remote work and the freelance economy has transformed the labor landscape in Mexico. More and more professionals offer their services on a freelance basis, both to domestic and foreign companies, which has generated new challenges in tax matters. In this context, the Tax Administration Service (SAT) has implemented measures to ensure the correct taxation of this income.

One of the main challenges in the taxation of remote workers and freelancers lies in the diversity of income sources and the difficulty in determining compliance with tax obligations. Many of these professionals operate under international payment schemes or through digital platforms, which complicates tax withholding and payment.

In Mexico, self-employed workers are subject to Income Tax (ISR) and, in certain cases, Value Added Tax (VAT). To ensure collection, the SAT has implemented withholding tax schemes in payment platforms and digital intermediation services. In addition, recent tax reforms have tightened supervision mechanisms and established new obligations for those offering services remotely.

As of the 2020 tax amendments, digital platforms operating in Mexico, such as PayPal, Mercado Pago and Stripe, are required to withhold taxes from freelancers who receive income through them. These withholdings vary depending on the amount of income and the tax regime of the taxpayer.

The correct withholding and declaration of taxes is fundamental to avoid penalties and maintain the tax regularization of remote workers and freelancers in Mexico. The SAT continues to implement measures to strengthen the control of this activity, so it is essential that taxpayers stay informed about their obligations and compliance options.

ECIJA Mexico's Tax Area offers specialized advice for remote workers and freelancers, providing guidance on best practices to comply with the current tax framework and optimize their tax burden in a constantly evolving digital environment.

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