



DECREE GRANTING THE EMPLOYMENT SUBSIDY

On May 1, 2024, a Decree was published in the Official Gazette of the Federation regarding an employment subsidy (the “Decree”), which came into force on the same date.

The Decree aims to maintain benefits for low-income workers by adapting and modernizing existing employment subsidy mechanism.

Eligible workers, as defined in Article 94, first paragraph, section I, of the Income Tax Law, may apply for the employment subsidy specified in the Decree instead of the employment subsidy established in Article Tenth of the decree published in the Official Gazette of the Federation on December 11, 2013.

Main Changes

Among the most significant changes included in the Decree, are the following:

- The Decree replaces the variable amounts table with a monthly quota equivalent to 11.82% of the monthly value of the Unit of Measurement and Update (UMA, per its acronym in Spanish).
- A salary limit of \$9,081.00 pesos has been introduced for subsidy eligibility.
- An annual automatic adjustment mechanism ensures the subsidy reflects changes in the cost of living.
- The subsidy is applied against the income tax of the corresponding calendar month. Any excess cannot be carried forward or refunded.

Procedure and calculation of the subsidy:

The calculation procedure has been simplified for efficient implementation. Among the provisions of the Decree, the following are included:

- For payments covering periods shorter than a month, the monthly subsidy quota should be divided by 30.4 and multiplied by the number of days in the payment period.
- Workers with multiple employers should select one employer to receive the subsidy and communicate this choice in writing to the other employers.

The Decree establishes how the employment subsidy should be handled in workers' annual tax returns, to ensure it is properly considered in the annual income tax computation.

It is important to note that the subsidy is not considered taxable income and should not be included in the computation of the taxable base for any other contribution or tax since it does not constitute compensation for personal subordinate work.

Should you have any questions or require any further information, our team of professionals is available to assist you. We encourage you to reach out to your ordinary Ritch Mueller contacts to seek advice.