

Mexican Companies Can Save on Social Security Taxes

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*Pursuant to recent modifications published by the Mexican Government Mexican Companies can save on Social Security taxes, particularly on the premiums paid under the Insurance for Workers & Job related Risks (*Seguro de Riesgo de Trabajo*). The risk factor used in the calculation of the premiums can be reduced from 2.3 to 2.2 for those entities that obtain a security management system certification (the Certification) from the Mexican Department of Labor (MDOL).*

In order to obtain the Certification, and to apply the 2.2 risk factor in the calculation of the premium, your company needs to meet several requirements. These requirements include the following: (i) filing a commitment letter from your company establishing a security management system to improve security measures and health conditions at the work place; (ii) a report indicating all job related injuries and illnesses occurred within your company during 2001; and (iii) an action plan (based on the report from 2001) for the current security and health measures in place at the company's premises.

The application for the Certification process needs to be filed with the local office of the MDOL. The MDOL then conducts an inspection (within twenty (20) calendar days from the filing) at the premises to verify compliance. The Certification should then be delivered confirming compliance (within the next twenty (20) calendar days), otherwise the Certification will be deemed denied.

The Certification is permanent, but will have to be validated ever year (by filing security and health data on an annual basis).

Should a work-related accident, illness, death, or disability occur, then the Certification can be suspended until "appropriate measures" are adopted by the Company.

In order to apply for the Certification, applicants must have an accident rate below the national medium average pursuant to the most recent numbers published by Mexican Social Security Institute. In other words, only those companies with a clean record (at least during 2001) will be able to apply.

Another requirement to obtain and maintain the Certification, is to be in full compliance with security and health provisions and norms applicable to the work place.

An individual analysis of this probable Social Security tax reduction should be carried out by your accounting department before submitting an application for a Certification with the local MDOL. Please do not hesitate to contact us for further information or for assistance in securing a security management system Certification to take advantage of the lower risk factor.

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