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Capital Gains in Mexico: A Practical Guide

How the SAT taxes gains on real estate, shares and other assets - with worked examples for the situations expats actually face. For a personalized assessment, book a consultation at facturafacts.com.

What counts as a capital gain in Mexico

- The SAT taxes the profit when you dispose of (enajenar) almost any asset: real estate, shares, crypto, vehicles, artwork, business interests. The gain is what you receive minus your legally documented cost - not the whole sale amount.
- Real estate follows its own set of rules with a big advantage: the cost basis adjusts upward for Mexican inflation every year you hold the property, which shrinks the taxable gain significantly.
- Simply owning an asset is not taxable. The tax is triggered by the sale, swap or transfer - including selling the rights to a property held in a fideicomiso (trust), which is taxed exactly like selling the property itself.

The building blocks of the calculation (real estate)

- Start with the sale price, then subtract: your cost of acquisition updated by inflation (the "costo comprobado", always at least 10% of the sale price in practice for older properties), the updated cost of construction, improvements and expansions, notary and appraisal fees, the local acquisition tax (ISAI) you paid when buying, agent commissions on the sale, and the local tax on the sale itself.
- The resulting gain is divided by the number of years you owned the property, and each year-slice is taxed at the progressive annual rate (the same scale that applies to your salary - roughly 1.92% to 35%). Long holds usually land near the middle of the scale.
- The notary (notario) calculates and withholds a provisional payment at closing: the greater of 20% of the gain or 5% of the sale price. When your annual return is filed, the true tax is computed and the difference is refunded or paid - frequently a large refund if the property was held many years.

Scenario 1 - Non-resident sells a Cabo condo (fideicomiso)

- Maria, a US citizen living in California, sells her condo in Cabo San Lucas for MXN 6,000,000. She bought it in 2019 for MXN 3,500,000 and had MXN 150,000 of deductible costs.
- Because she is a non-resident for Mexican purposes, the default is 25% tax on the GROSS price: MXN 1,500,000 - regardless of her gain.
- But there is an election: with a Mexican representative who accepts joint responsibility, she can instead pay 35% on the NET gain: (6,000,000 - 3,500,000 - 150,000) x 35% = MXN 822,500. On this sale the election saves her about MXN 677,000.

- The US side: the same sale is reported on her US return, converted to USD. The US-Mexico treaty plus the Foreign Tax Credit (Form 1116) usually wipe out any US tax when the Mexican tax is at least as large - which it normally is here.

Scenario 2 - Selling your home in Mexico (the exemption)

- If the property was your primary residence (casa habitacion) and the sale price does not exceed 700,000 UDIS - roughly MXN 6.1-6.2 million in 2026 - the ENTIRE gain is exempt from ISR.
- Requirements: you are an individual (not a company), you can prove you lived there (utilities, bank statements, ID at that address), the sale is executed before a notary, and you have not used this exemption in the previous 3 years.
- Over the cap? You do not lose everything: the exempt portion is proportional. Example: exempt share = 6.15M / sale price. On an 8,000,000 sale, about 77% of the gain is exempt and only the rest is taxed.
- Watch out: the cap is measured on the SALE PRICE, not the gain - assuming otherwise is the most expensive mistake we see. And the exempt sale must still be declared for the exemption to hold.

Scenario 3 - Resident sells a second property

- Carlos became a Mexican tax resident and sells a second apartment (rental) for MXN 4,200,000. He bought it in 2018 for 2,000,000 (inflation-adjusted to about 2,900,000), added 600,000 of construction (updated: 810,000) and has 210,000 of transaction costs.
- Taxable gain: 4,200,000 - 2,900,000 - 810,000 - 210,000 = MXN 280,000. Divided over 8 years of ownership = 35,000 per year, taxed at the annual scale: roughly MXN 84,000 total (about 30% effective).
- The notary still withholds the provisional 20% of gain (MXN 560,000) at closing. After his annual return, most of it comes back as a refund - one more reason to actually file it.
- Canada angle: the CRA also taxes the gain (50% inclusion), with the Mexican tax credited. US persons: Section 121 can exclude up to USD 250k/500k of gain if it was a primary residence 2 of the last 5 years - but note Mexico's casa habitacion rules and the US rules are separate tests.

Scenario 4 - Selling shares, ETFs or a business stake

- Shares traded on the Mexican stock exchange: flat 10% on the sale amount, withheld by the broker. Off-exchange shares and private company stakes: the gain is taxed at the annual progressive scale with inflation-adjusted cost basis.
- Foreign stocks and ETFs held by a Mexican resident: the gain goes on the annual return at the progressive scale. No inflation adjustment on most foreign-listed instruments - plan for that.
- US taxpayers: worldwide capital gains are reported to the IRS (short vs long-term rates), and foreign accounts holding securities may trigger FBAR/FATCA filings. Keep cost-basis records in both currencies from day one.

Filing mechanics and deadlines

- Real-estate gains: the notary withholds at closing; the annual return (due April 30 of the following year) reconciles it. The exempt home sale must appear on the return to be valid.
- Securities and other assets: gains go on the annual return; monthly provisional payments can be voluntary or required depending on the asset.
- Everything is valued in MXN using the official Banxico exchange rate. Keep escrituras, facturas, bank receipts and closing statements - undocumented costs are simply disallowed.
- Losses on one asset can offset gains on others within the year (and some carry forward) - do not skip filing because 'it was a loss year'.

How FacturaFacts helps

We compute your real gain with inflation adjustments, verify exemptions before the notary does, file the annual return that gets your provisional payment refunded, and coordinate with your US/Canadian preparer so the treaty credit is claimed on both sides. Book a free consultation at facturafacts.com/booking.

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