

Open Your Business in *México*

Investment Guide



This brochure will outline the documents, requirements, and obligations associated with the establishment of a legal entity within Mexican territory. It is worth mentioning that these points are subdivided into various subjects, as Mexican legislation contemplates various scenarios based on the regulation of companies within the country.

Entity Types

Tax Compliance

Labor Regulations

Foreign Investment Limitations





Entity Types

Mexican law recognizes several forms of business entities, including corporations (sociedades anónimas, S.A.), corporations with variable capital (sociedades anónimas de capital variable, SA de CV), limited liability companies, (sociedades de responsabilidad limitada, S de RL) branches of foreign corporations, as well as joint ventures (A en P).

Due to formations, operation, and taxation considerations, most foreign investors form one of the first three types of business. Foreign owned enterprise are subject to the same laws that apply to Mexican businesses as well as special regulations governing foreign investment.





Entity Types

Sociedad Anónima (S.A.); Sociedad Anónima de Capital Variable (S.A. de C.V.).

The S.A. is a regular corporation and the S.A. de C.V. is a regular corporation with variable capital (i.e., its capital can be increased by resolution of its board of directors).

Sociedad de Responsabilidad Limitada (S. de R.L.).

The S. de R.L. is a limited liability company similar to limited liability companies in the U.S.

Asociación en Participación (A. en P.).


The A. en P. is a joint venture which is formed by the execution of a joint venture contract. This is a taxable entity for Mexican tax purposes.

Sucursal de Sociedad Extranjera.

This is a branch of a foreign corporation. It must be registered as such with the Mexican government before commencing business in Mexico.

Fideicomiso.

A fideicomiso is a trust organized under the banking laws of Mexico.



Generally, all Mexican entities (except SAS or Sociedad por Acciones Simplificada) require a minimum of two shareholders which do not have to be Mexican nationals or Mexican corporations. Exception made within foreign investment regulations as mentioned further in this brochure.



Tax Compliance

Taxpayers in Mexico will be subject to both federal and state government taxes. The most significant taxes are those imposed by the federal government in the form of income taxes, the value added tax, import and export taxes, and a federal payroll tax on wages. State and local governments generally impose taxes on real property and some states levy taxes on salaries and wages. Generally, local taxes on wages are payable by the employer.

Mexico tax law requires for all companies (branches and subsidiaries alike), to have legal representation and a fiscal address. The representation must be carried out by Mexican national or a legal resident with a Mexican Tax ID. Fiscal address must be within Mexican territory.





1

Business Entity Taxes.

The corporate income tax rate on Mexican corporations and other business entities is imposed on a world-wide income at rates of maximum of 30%.

2

Dividends.

Dividend payments made by a Mexican corporation out of income which was taxed at the corporate level is subject to a 10% withholding tax at the shareholder level, for residents and non-residents alike. Dividends payed between Mexican companies are not taxed.

3

Mandatory Profit Sharing.

Mexican companies must pay 10% of their taxable earnings to their employees in the form of mandatory profit-sharing. This profit-sharing, being effectively paid, is deductible in calculating the companies annual tax liability.

4

Value Added Tax.

Mexico imposes a value added tax of generally 16% (0% for exports and indispensable products and services) on products and services sold in Mexico. Each business entity involved in the production of a product or the provision of a service is required to collect the VAT on the value added by that business entity.





Labor Regulations

All Mexican employers must register with the Mexican Social Security Institute as per the Mexican Constitution. This registration requires specific fees for the payment of social security for workers.

The institute also effectively regulates and controls the correct payment of social security taxes.

Likewise, all employers must enroll employees with the Mexican Social Security Institute. This requirement is related to the previous one, as it is of vital importance that the employer registers their employees with the Mexican Social Security Institute so that they can enjoy the Social Security benefits mandated by the Mexican Constitution.

Social security taxes are levied on employees gross salary and, are paid on both monthly and bi-monthly periods. Also, it's mandatory to use individual employment contract through which a person undertakes to provide another person with personal subordinate work in exchange for a salary.

Elements of the individual contract.



Working hours.

This refers to the time during which the worker is available to the employer to provide their labor. The maximum is 8 hours per day when working throughout the day and not night.



Salary.

This is the amount that the worker receives for their work. It includes cash payment for daily wages, bonuses, allowances, housing, premiums, commissions, in-kind benefits, loans, overtime hours, etc.



Rest days.

For every six days of work, one rest day is granted. Work on a non-working day is paid double.



Vacations.

Regulated time for rest to replenish energy and spend time with the family. This benefit is progressive, as a minimum of 1 year of work corresponds to 12 vacation days.



Mandatory Profit Sharing.

As mentioned in the prior chapter, all Mexican companies must share 10% of their taxable income.



Annual Stipend.

All employees are entitled to an annual stipend of 15 days of regular salary payments.





Foreign Investment Limitations

The Mexican Foreign Investment Law (FIL) sets the specific rules that allow the entry of foreign direct investment (FDI) to the country and encourage its contribution to national development.

According to article 4 of the FIL, “foreign investment may participate in any proportion in the capital of Mexican companies, acquire fixed assets, enter new fields of economic activity or manufacture new product lines, open and operate establishments, and expand or relocate existing establishments, except as otherwise provided herein”. In other words, foreigners are free to participate or carry out any lawful economic activity, provided there is no restriction in the law.

Therefore, it is important to analyze the economic activities in which the FIL establishes a limitation, classified into the following groups:



Activities reserved to the state.



Activities reserved to Mexicans or to Mexican corporations.



Activities with specific regulations.



Activities that require an authorization from the national foreign investment commission.



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