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& SELVAM LLP

A JOINT LAW VENTURE

Doing Business in Mexico

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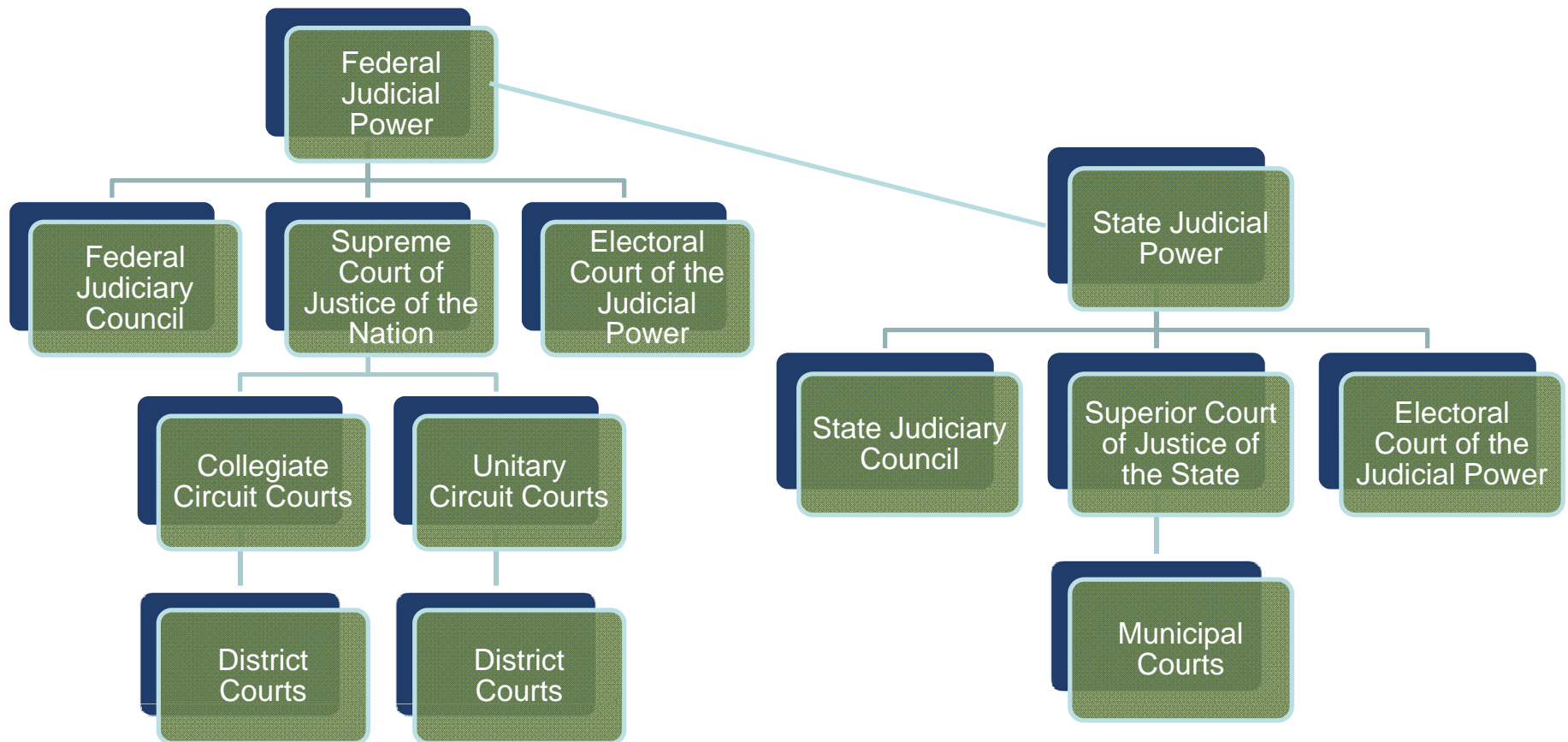
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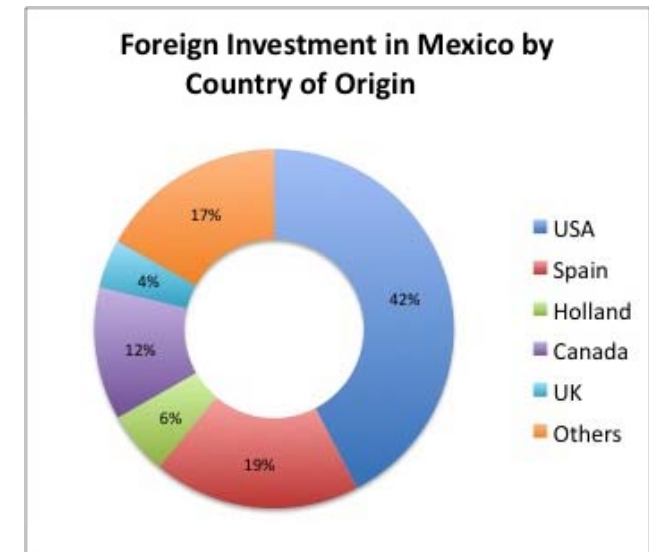
“Mexico, a country with a dynamic economy, geographical advantage and a young and talented population”

Judicial System of the Federation and the States



Foreign Investment

- During 2010 foreign investment in Mexico reached US\$ 17.72 billion, climbing 16.6% from 2009.
- Foreign investment in Mexico was largely focused on the manufacturing sector, which accounted for 59.7% of the total, followed by commerce, which attracted 14.2% and the financial sector 13.8%.



Foreign Investment

- The American Chamber of Commerce stated that Mexico received US\$ 22 billion in direct investment in 2011.
- Moreover, expansion projects by foreign companies such as Philips and Akzo Nobel, have confirmed direct investment of US\$ 2 billion in Nuevo León state.



Foreign Investment and Ownership

- The Foreign Investment Law establishes that foreigners may invest in all sectors except those that are reserved to the government and to Mexican nationals.
- Foreigners may acquire ownership of real estate with some exceptions.



State Reserved Activities

- Sale of electricity to the public.
- Basic petrochemical production.
- Generation of nuclear power.
- Telegraph and radiotelegraph services.
- Oil refining.
- Local postal service.
- Bill issuance and coin minting.
- Control and vigilance of ports, heliports and airports.

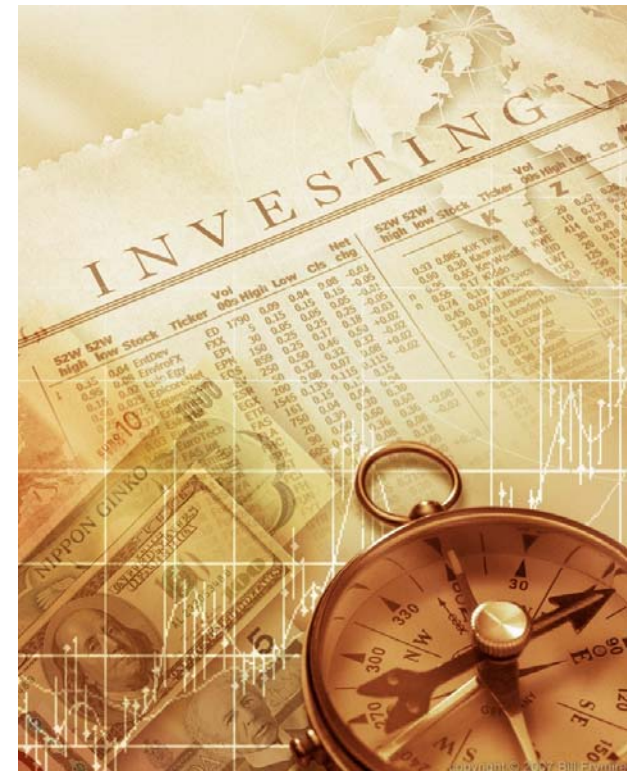


Mexican Nationals Reserved Activities

- 100% Mexican Capital:
 - Domestic land transport of passengers.
 - Retail sale of gasoline and distribution of liquid petroleum gas.
 - Provision of radio broadcasting and other radio and television services, other than cable television.
 - Credit unions.
 - Development bank institutions.
- Up to 10% Foreign Capital:
 - Cooperative production companies.
- Up to 25% Foreign Capital:
 - National air transport, air taxi transport and specialized air transport.

Mexican Nationals Reserved Activities

- Up to 49% Foreign Capital:
 - Insurance companies and bonding companies.
 - Money exchange firms and public bonded warehouses.
 - Financial leasing companies and factoring companies.
 - Special-purpose financial institutions.
 - Pension fund management companies.
 - Companies with a concession in telecommunications.



Mexican Nationals Reserved Activities

- Up to 100% Foreign Capital with Government Permit:
 - Port services for ships carrying out interior navigation operations.
 - Concession or permit holding companies of airfields for service to the public.
 - Credit information companies and securities ranking institutions.
 - Insurance agents.
 - Legal Services.
 - Cellular telephone services.
 - Perforation of oil and gas wells and construction of pipelines.
 - Construction, operation, and exploitation of railways.

Real Estate Restrictions



- Ejido Land: Agricultural common law.
- Restricted Zones: 100km in frontiers and 50km in coastline.

Direct Investment

- Starting operations in Mexico can be done through a different set of choices each one with its own advantages:
 1. Purchase of stock or assets from an existing company.
 2. Incorporation of a Mexican subsidiary.
 3. Registration of a branch.
 4. Registration of a representative office.
 5. Joint Venture.
 - a. Joint Venture Company.
 - b. Joint Venture Agreement.

Common Types of Companies

Corporation <i>(Sociedad Anónima)</i>	Limited Liability Company <i>(Sociedad de Responsabilidad Limitada)</i>
Shareholders.	Partners.
Minimum capital \$50,000 Mexican Pesos.	Minimum capital \$3,000 Mexican Pesos.
Shares may be sold without authorization.	Partnership interest requires authorization from majority to be sold.
Statutory Examiner must be appointed.	Statutory Auditor is not mandatory.
Liability to the extent of the subscribed shares.	Limited liability to partners.
Tax rate of 30%.	Tax advantages in Mexico and the United States.
New shareholders do not need authorization to join the company.	New partners need authorization of the majority to join the company.

Starting Operations in Mexico

No.	Procedure	Time to Complete
1	Obtain the authorization of the company name and file the draft deed of incorporation with the notary.	1 day
2	Sign the deed of incorporation before a notary public, obtain Tax Registry Number and file online the deed of incorporation with the Public Register of Commerce.	2-3 days
3	Register with the Mexican Social Security Institute.	2-5 days

Starting Operations in Mexico

No.	Procedure	Time to Complete
4	Register with the local tax administration for payroll tax.	1 day
5	Notify the local government of the opening of a mercantile establishment online.	1 day
6	Register with the National Business Information Registry.	1 day

Incorporating a Mexican Company

File before the Ministry of Economy an incorporation permit for the company under a proposed name.

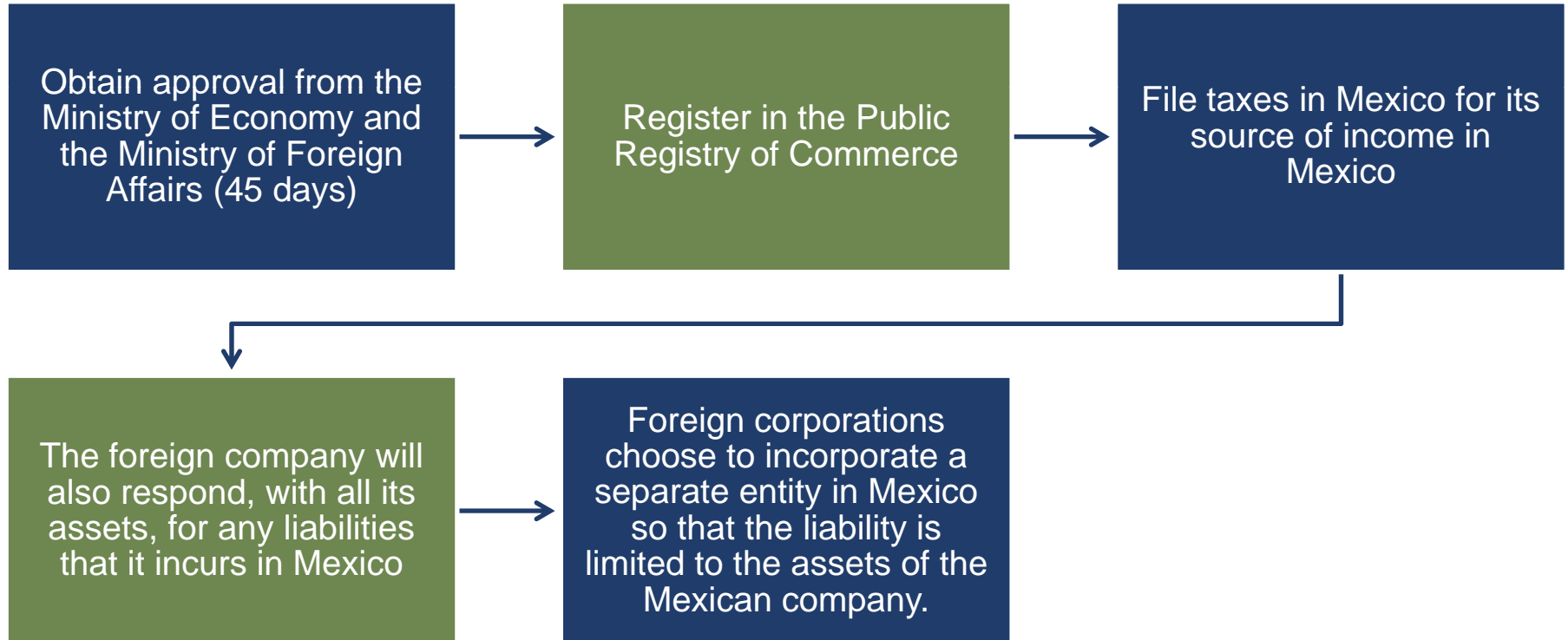
Draft the bylaws to be used by the company.

Execute and formalize any powers of attorney to incorporate.

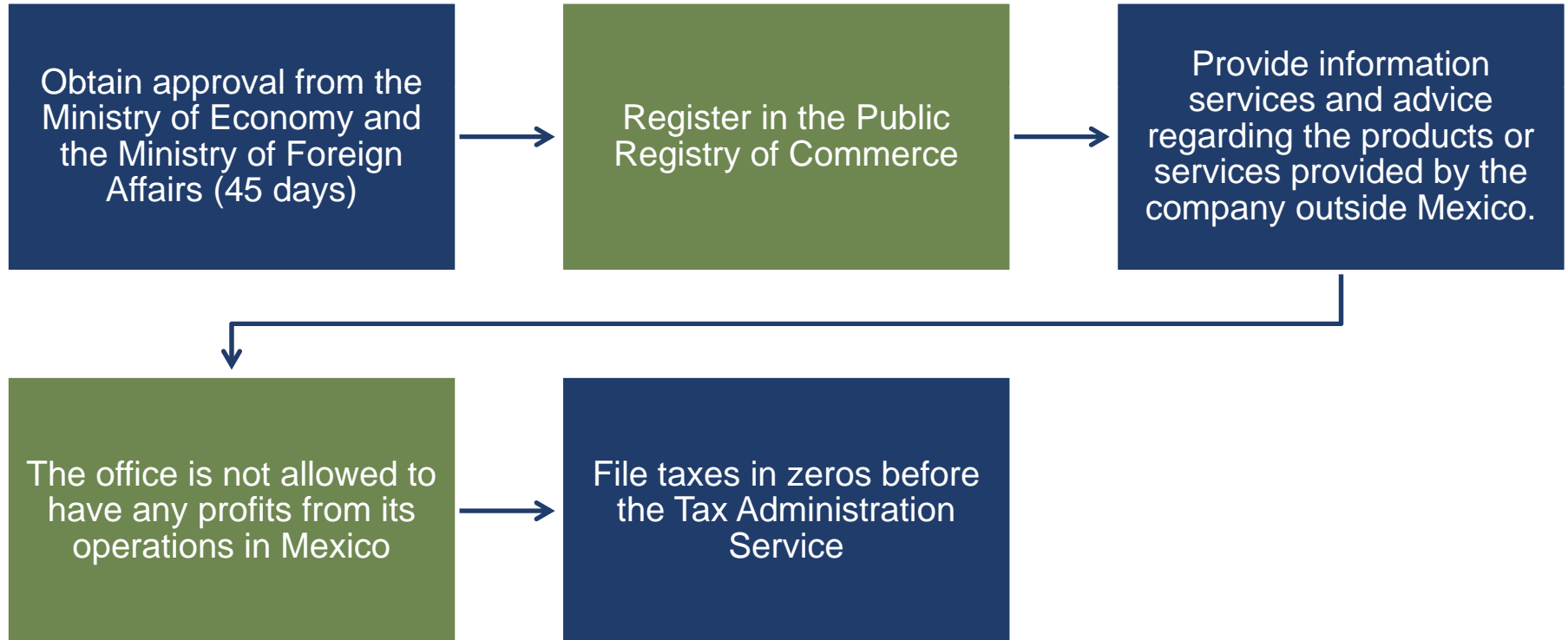
Incorporate the company before a Notary Public.

Hold the first General Ordinary Shareholder's/Partner's Meeting to name the Board of Directors.

Operating as a Mexican Branch



Operating as a Representation Office



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Operating as a Joint Venture Company

Foreigners and Mexican nationals must negotiate and execute distribution agreements prior to incorporating the company.

This model joins efforts by bringing capital, technical assistance and technology together.

Takes advantage of the partners' knowledge of the Mexican business and industrial sectors.

Operating as a Joint Venture Agreement

The parties agree to execute an Joint Venture Agreement (*Asociación en Participación*).

The parties join efforts for a specific purpose.

The agreement terminates upon completion of the work or desired objective.

A new entity is not created and each of the parties is liable to the other as established in the contract.

Labor

Unions

- May be formed by 20 or more employees.

Strikes

- Allowed by law but authorities usually intervene in labor disputes to avoid work stoppages.

Wages

- Salaries cannot be increased by the government, excepting for minimum wage.

Working Hours

- 42 to 48 p/week.

Rest Days

- One fully paid day per six of work.

Termination

- Liability to the employer may be avoided for a number of causes provided by the Labor Law.

Labor Obligations



Taxation

Type of Tax	Tax or mandatory contribution	Payments	Notes on Payments	Statutory tax	Tax base	Total tax rate (% profit)
FEDERAL	Corporate income tax	1	online filing	30.0%	taxable profits	24.5
	Employer paid - Social security contributions	1	online filing	various rates	gross salaries	24
	Employer paid - Payroll tax	1	online filing	2.50%	gross salaries	2.8
	Business flat tax (IETU)	0	online filing	17.5%	IETU taxable profits	0
	Value added tax (VAT)	1	online filing	16.0%	sales price	N/A
STATE	Vehicle tax	1	online filing	various rates	property value	0.1
MUNICIPAL	Property tax	1	online filing	various rates	value of vehicle	1.3
	Totals:	6				52.7

Contact

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Thank you

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