



MEXICAN BUSINESS GUIDE:

For Foreign Corporations, Investors and Entrepreneurs, considering expansion and corporate structuring in Mexico.

Prepared by the Partners and Staff of Bicentennial Group LLC

www.MexicanIncorporation.com

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MEXICO

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Dear Client,

You may be wondering what it takes to expand your company or begin a whole new venture in Mexico. Well, look no further. Bicentennial Group LLC has a team of talented – bilingual – professionals prepared to guide you through starting a business in Mexico from A-Z. Mexico can be a frustrating place to do business, because the business culture is very different from what many foreigners are accustomed to. Despite this, what you will find is a country bursting with potential and opportunity for those who have the patience, the persistence and the right team to succeed.

Bicentennial has the solution. We are a United States-based consulting firm that is specifically focused on foreigners seeking to operate in Mexico. Our team knows how to navigate the intricacies of the Mexican market, avoid potential delays and ultimately succeed where others simply cannot. We strongly believe that the quality of our service far exceeds what one might expect from large firms such as KPMG, PriceWaterhouse or Earnst & Young. Our partners worked for these firms but chose to leave in order to provide clients with a superior experience at a significant value.

We treat clients' projects as our own ventures and we take our business personally. Have a look at this document for answers to some of the most frequent questions current and potential clients have asked us. Then, contact us directly for more information.

Best wishes for your Mexican endeavours from our team to yours.

Sincerely,

A handwritten signature in black ink, appearing to read 'E. Eni', is written over a thin horizontal line.

Emeka John Eni, Esq.
Founder and Managing Partner
Bicentennial Group LLC

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I. Introduction to Our Firm.

Our Firm

Our partners come from diverse backgrounds and from major financial institutions, international corporations, and organizations in the United States, Mexico and world-wide such as Earnst and Young, Ford, the White House and United States Department of Labor. Bicentennial Group operates in the United States under Bicentennial Group LLC and in Mexico under Centro Ejectivo de Negocios Internacionales, S.A. de C.V.

Our focus is to deliver excellence in support and high quality results for our clients, traditionally expected from firms such as PriceWaterHouse or Deloitte. You will find our staff to be highly-skilled and attentive to client needs. Our incorporation services is unique in Mexico in that it is not only one of the quickest means to incorporate, but involves our online system providing transparency in all aspects. We offer service that simply is incomparable and far beyond the general level of service for other firms within Mexico. Additionally, Bicentennial Group has designed a way to complete the process with out the need for our clients to actually come to Mexico. We specialize in foreign clients and are familiar with the laws, regulations and requirements to establish foreign companies.

Our Partners

Managing Partner - Emeka John Eni, Esq. oversees the operations of Bicentennial Group LLC. He was previously employed at the United States Department of Labor as an international trade analyst, and worked in the General Counsel's Office of the United States Trade Representative part of the White House's Executive Office of the President. He specializes in international corporate law, cross-border litigation and foreign direct investment. He is an active member of the New York Bar Association. He is fluent in English, Spanish and French.

Fiscal and Accounting Partner – Miguel Angel Durán Curiel, was an executive in the tax advisory and accounting division at Ernest and Young, LLP (S.C.) in Mexico. He was an in-house corporate accountant for Grupo Calider, S.A. de C.V., a major distributor world-wide of agricultural products - including coordination of the financial and tax obligations of the company's 7 subsidiaries. He also worked for Megacable, a large cable and telecommunications operator in Mexico, overseeing their accounting department. He is fluent in Spanish and highly proficient in English.

Fiscal and Accounting Partner – Victor Eduardo Hernández Salvatierra, was an executive at Bradesco, S.A. a Brazilian banking institution where he oversaw the implementation of the company's entire fiscal, legal, tax and accounting operational structure. He also was employed by the real estate investment trust Soporte Remoto de Mexico, SAPI de C.V. overseeing the firm's accounting compliance and fiscal strategy. He was an executive at Earnst and Young, LLC (S.C.) overseeing the audit of clients such as Wal-Mart of Mexico. He has been employed by Servicios Liverpool, S.A. de C.V., Ford Credit de México, S.A. de C.V., BAHESA Consultores, S.C. and Megacable. He speaks Spanish and proficient in English

Of-Counsel – Dr. Alvaro Ramirez Martinez, received an Doctor of Juridical Sciences from Temple University in Philadelphia, a masters in laws from American University in Washington, D.C., his law degree from the University of Guadalajara, in Jalisco, Mexico and a masters in law from the University of Guadalajara, in Jalisco, Mexico. Alvaro's experience includes the Mayor's Office of Guadalajara as well as leading the legal department of Situr Desarrollos Turisticos in Puerto Vallarta,

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Cancun and Costa Rica and other large organizations. Dr. Ramirez specializes in international financial law and alternative dispute resolution. He was a Fulbright Scholar and has academic and professional qualifications in both the United States and Mexico. He is fluent in both English and Spanish.

Furthermore, we have additional administrative staff, accountants and other professionals who support our efforts, in addition to alliances with international law firms and consultants for particular professional needs not directly handled in-house.

II. Our Services.

A. Incorporation Services. Bicentennial provides the premier service in Mexico for the incorporation, structuring and establishment of legal entities on behalf of foreign clients. We are able to send our documentation to you wherever in the world for signature and our staff will complete the steps of the incorporation on your behalf without the need to travel to Mexico. We complete the incorporation process within 3 to 4 weeks, significantly quicker than our competitors. We provide all authorizations necessary to begin activity in Mexico including: execution of international powers of attorney, receipt of authorization of corporate formation, drafting and execution of articles of incorporation, formation of the corporation, registration of company for foreign investment, and obtaining of Tax ID number and digital certificates.

B. Accounting and Compliance. Bicentennial offers first-class accounting and fiscal consulting services. We are able to submit all required filings to the Mexican authorities on a monthly basis at a low cost. Additionally, we are able to advise on international tax and corporate strategies to increase profits, reduce costs and improve operations. We also provided local representative services

C. Online-based Project Management System. Our services include access to a personalized online-based client system providing real-time updates for project progress. All relevant documents are also stored and easily accessible on from our online service. All relevant information concerning incorporation and accounting is also submitted directly online.

D. Research, Market Studies and Investigations. Bicentennial can perform a complete study of the legal and regulatory environment for your operation and devise a detailed report on your company's unique requirements for operating in Mexico.

E. Employee Recruitment and Human Resources. Bicentennial can also recruit local talent for your operation. We can perform competence testing, skills verification, back-ground checks, interviews, pay-roll management and other activities related to recruitment and human resource activities.

III. Corporate Structuring.

A. Corporate Forms. There two most common corporate forms used in Mexico are the *Sociedad de Responsabilidad Limitada* (S. de R.L.) and the *Sociedad Anónima* (S.A.) The two corporate forms are the equivalent of the Limited Liability Company and Corporation, respectively.

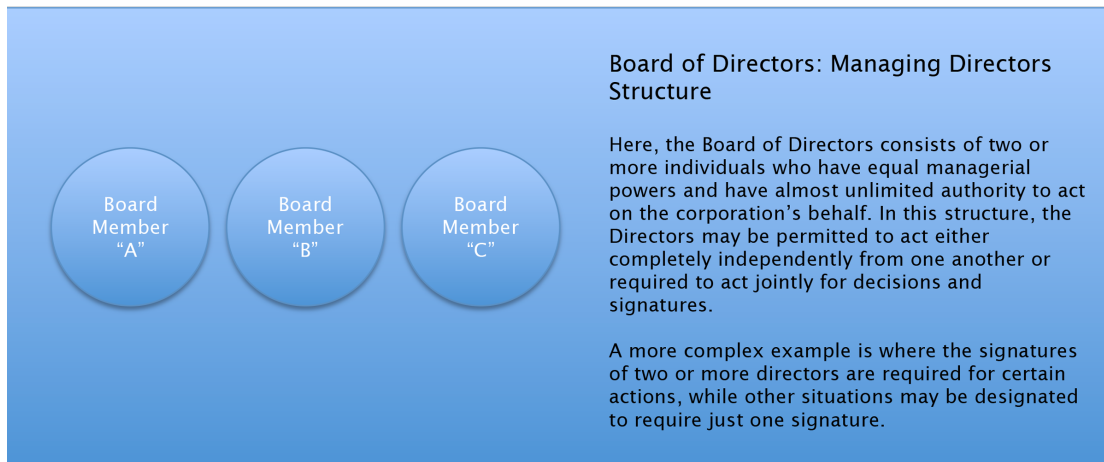
	S. de R.L.	S.A.	Comment
U.S. equivalent	Limited Liability Company	Corporation	
Minimum number of shareholders	2	2	
Maximum number of shareholders	50	Unlimited	
Minimum capital requirement	3,000 Mexican Pesos	50,000 Mexican Pesos	Capital does not have to be deposited
Limited liability protection for shareholders	Yes	Yes	
Special shares for employee stock-options.	No	Yes	Art. 114 (Federal Business Entities Law)
Multiple share classes	No	Yes	
Treasury stock	No	No	Under only a few extreme circumstances may a company own or retain its own shares temporarily
Limitations of transferability shares	Yes	No*	For S.A.s, the by-laws may impose stock sale approval requirement by board of directors
Preferential stock	No	Limited application	
Yearly shareholders' meetings requirement	Yes	Yes	
IRS (U.S.) Taxation Treatment	Pass-through	Corporation	Pass-through entity status avoids double-taxation on corporate and personal income
Shareholders representative appointee and overseer	No	Yes	
Board of Directors or Single Director	Optional	Optional	Board of directors, single director or multiple managers may be appointed
Registered agent and domestic address requirement	Yes	Yes	
Monthly tax filings	Yes	Yes	
Income tax rate	30%	30%	

B. Ideal uses: Please note that in most cases, it is advisable to establish an S. de R.L.

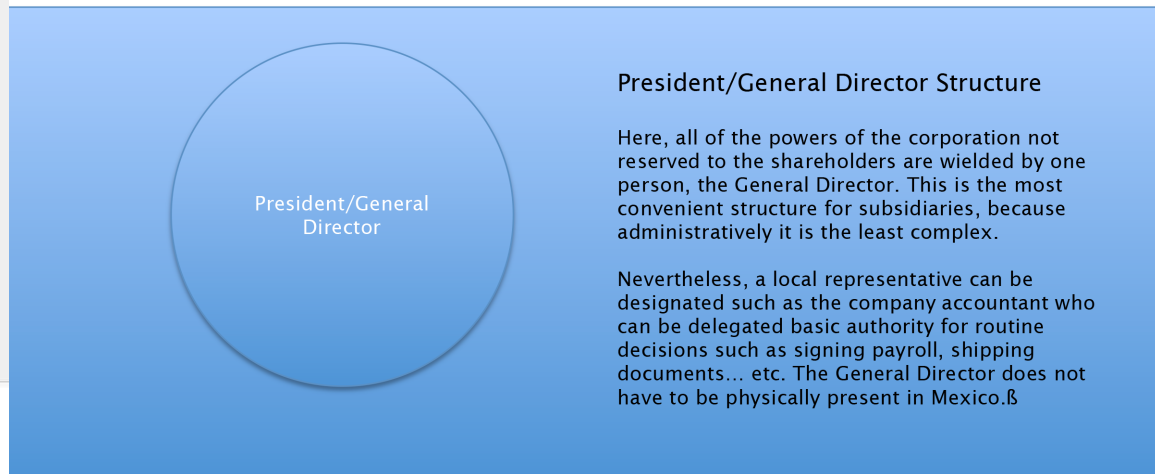
S. de R.L.	S.A.
<ul style="list-style-type: none"> ▪ Mexican subsidiary entity for legal formalities. ▪ Small to medium-sized businesses. ▪ Import-export operations. ▪ Holding company. ▪ Stock-ownership Vehicles. ▪ Joint-Ventures. 	<ul style="list-style-type: none"> ▪ Mexican subsidiaries with major activities. ▪ Medium-sized to large business. ▪ Holding companies. ▪ Publically traded subsidiary companies. ▪ Investment operations with need for multiple stock classes ▪ Real estate investment trusts

C. Corporate Management Structures. The management of your corporation may take various forms: only one general director exercising nearly unlimited powers may handle the on-going operations, two or more general directors exercising nearly unlimited powers, or a board of directors under which daily operations are undertaken by collective consent and resolution of the board.

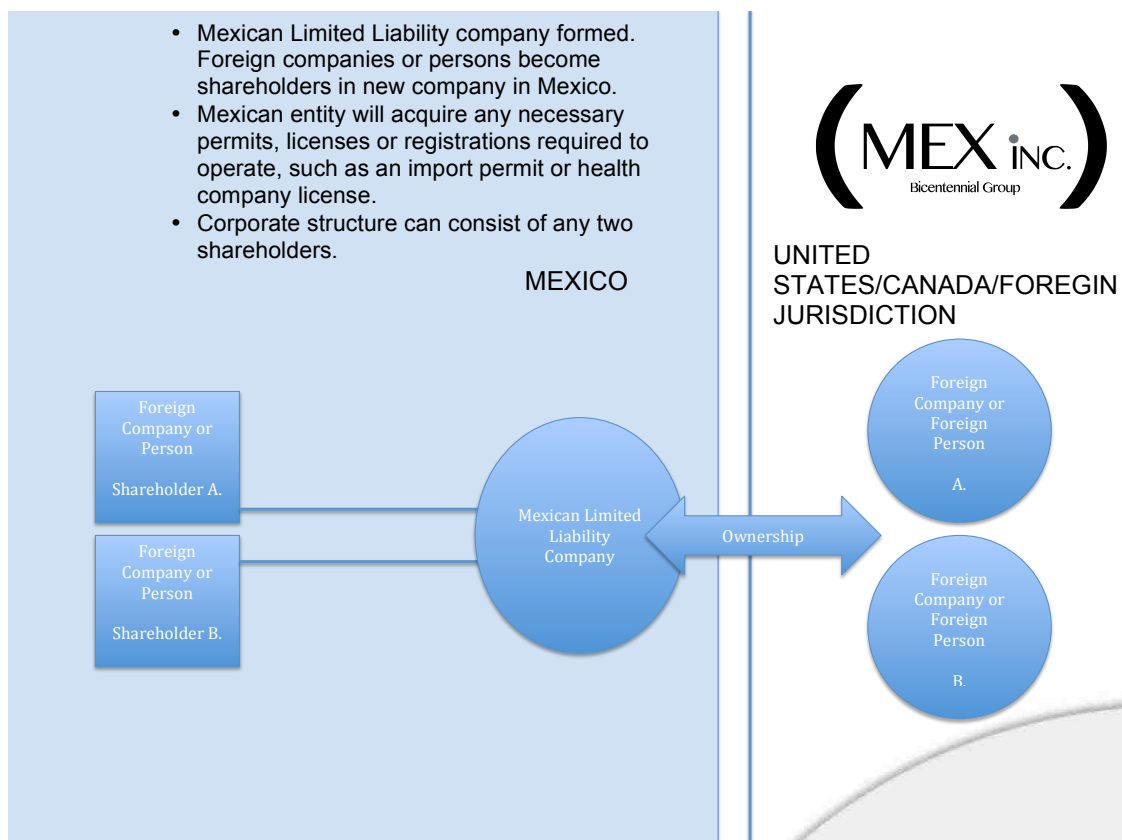
Board of Directors Structures



General Director Structure



D. Shareholders and Ownership Structures. There must be two shareholders of the Mexican company. The shareholders can be individual people, legal entities or any combination. Commonly, the new entity is owned directly by the president or owner of the foreign company in conjunction with the foreign legal entity. For example, foreign president owns 1% of the Mexican entity and foreign corporation owns 99% of the Mexican entity.



IV. Incorporation Process and Time Line.

The incorporation process generally requires between 3-4 weeks to complete, once all proper documentation is received from the foreign jurisdiction.

	Days	Incorporation Procedure Item	Simultaneous Item*
A.	3	Step One – Execution of International Powers of Attorney. Each partner will have to execute an International Power of Attorney for use only in Mexico so as to permit our staff to form the new company. The documents must be signed before a notary public in your place of residence.	No
B.	7	Step Two – Apostille. Each power of attorney must be apostilled by the authorities in the place your place of residence.	No
C.	14	Step Three – Drafting of Articles of Incorporation and By-Laws. In consultation with the client, our staff will draft the Articles of Incorporation and By-Laws to reflect the corporate structure most suitable to the client's needs.	Yes
D.	1	Step Four – Company Formation. The Articles of Incorporation are executed before a notary public in Mexico and the company is officially formed.	No
E.	7	Step Five – Obtaining Tax ID. The company is required to obtain a Tax ID, Digital Signature, and Digital Symbol within 30 days of formation.	Yes
F.	3	Step Six – Foreign Investment Registration. All foreign shareholders in the Mexican company must be registered before the Registry of Foreign Investment within 40 working days.	Yes
G.	30	Step Seven – Bank Account. In most cases, companies will need to open a bank account with a Mexican financial institution to facilitate local invoicing. U.S. citizens and entities may face setbacks due to compliance issues with reporting requirements from the I.R.S.	No
H.	On-going	Step Seven – Corporate Compliance. Corporate compliance is an on-going monthly requirement for taxation, foreign investment and various other procedures depending on the company's operations in Mexico.	Yes
Additional Steps			
I.	30-60 Days	Step Eight – Recruitment of Personnel. Recruitment of personnel will entail "head hunting", competence and psychological screening, formal retention.	Yes
J.	On-going	Step Nine – Employment Compliance. Employment compliance is an on-going monthly requirement for payment of social security, public housing, profit sharing and other payments required to be made to or on behalf of employees in compliance with the Federal Labor Law of Mexico.	Yes
* A step that is considered a "Simultaneous Item" may take place at the same time as the step the follows it. Otherwise the item must be completed prior to beginning the step that follows it.			

V. Corporate Taxation in Mexico.

A. Basic Tax Obligations for Corporate Entities: (1) Types of obligations ISR (income tax of 30% base), (2) I.V.A. (value-added tax of 16% on all goods and services), (3) Arancel (customs tariff) are applicable to your particular operations in Mexico.

	Action Title	Date and Frequency	Rate (% net earnings)	Comments
A.	Monthly provisional payment of sales tax	17 th of each Month	IVA	Paid on a monthly basis from commencement of operations.
B.	Monthly informational declaration for third-party operations	30 or 31 st of each month	IVA, ISR, Customs	General calculation of all taxes client-by-client, monthly.
C.	Annual informational declaration for third-party operations	15 th of February of each year	IVA, ISR, Customs	General calculation of all taxes client-by-client, annually.
D.	Provisional Trimestral Payment of Income Taxes	17 th day, fourth month of 2 nd year	ISR	Payment based on previous year's operations as percentage of earnings. Thereafter provisional payments made monthly.
E.	Provisional Monthly Payment of Income Taxes	17 th day of each month	ISR	Filed and recorded but not paid during first year, monthly
F.	Yearly Tax Filings	31 st of March	ISR, IVA, Customs	Profits, losses, costs earnings, taxes... etc. and calculation of final payments of taxes or returns in such

B. Considerations for Corporate Taxation in Mexico. Compared to the United States and many other jurisdictions, accounting costs in Mexico are higher for several reasons. First, all accounting information is submitted directly to the government on a monthly basis in the form of provisional payments for ISR, IVA, and information filings. Informational filings alone require submission of data related to each and every one of your transactions, clients, customers and suppliers.

Second, a registered agent in Mexico has a higher cost for liability purposes. The registered agent's property can be liened, encumbered and "embargoed" for debts. Therefore, even if the registered agent's property is not in the name as the client, there is overall a significant increase in risk for such agents – particularly compared to registered agents in jurisdictions like the United States or Canada, where such costs are very low.

We are able to maintain the accounting for your company in accordance with Generally Accepted Accounting Practices applicable in the United States and Mexico. We will design an online Accounting Information Center to suit your needs, which will serve several purposes. First, the Accounting Information Center will enable you to submit invoices directly to all of your assigned partners and staff. Invoice requests submitted before 2:30pm will be processed the same business-day. You may also submit invoice requests via email. Second, you will have access to all of your accounting documents in one place.

VI. Overview of Billing and Electronic Invoicing.

A. Electronic Invoicing Requirements. All taxpayers in Mexico are required to emit electronic invoices independently of how much they make. Paper or traditional invoices have no fiscal validity other than for record of payment for the client or consumer. Many companies, supplies and producers in Mexico will simply refuse to do business with any partner who is unable to properly electronically invoice within Mexico. Electronic invoicing in nearly every case requires that a foreign company incorporate a Mexican subsidiary or affiliate legal entity.

Generally, the electronic invoicing requirement does not present significant issues to doing business in Mexico. Your company's accountant can generally perform all steps required and there also exist electronic invoicing platforms via the internet. However, high-volume customers should be aware of the increased administrative costs and time required to generate invoices. Below, we have outlined the process and options for customers. In most cases, once an accountant enters the data for the invoice, it is verified electronically through a complex encryption process and sent to customers within seconds.

B. What is included in an electronic invoice?

- Issuing Party, Charges, Invoicing Content: Issuing party's official name, tax address, tax ID number, method of payment, items charged, applicable discounts, value-added tax, additional/special taxes (for example alcohol and cigarette taxes), informational addendum (if desired), and import certificate number and date (if applicable to imported products).
- Receiving Party: Receiving party's name, tax address, tax ID number and date of invoice.
- Every transaction with suppliers will need to be accompanied by an electronic invoice. The information included above will need to be included in each invoice.

C. What is the electronic invoicing process?

- Invoices can be entered manually via SAT's portal or by way of a 3rd party invoice provider.
- Batch Invoices. Invoices may be entered in batch via "xml" (excel) spreadsheet with all of the above information, for example:

Option I. 300 orders may be provided a unique invoice for EACH INDIVIDUAL ORDER, thus requiring 300 individual invoices.

Option II. One invoice may be generated to cover 300 of the transactions for a given period. In most cases, this means your accountant will manually have to enter data for all invoices.

- **Digital Seal.** The Mexican tax authority the "SAT" issues a series of files including a Digital Seal or "Sello Digital", which contains a unique encryption code for generation of invoices and digital signatures.
- **Generation of Invoice.** Necessary information concerning the transaction... quantity, price, description... etc. is entered into government system via the SAT portal or via authorized third-party provider.
- **Generation of Invoice Verification Code.** Using the "Sello Digital" a unique verification code is generated for each individual invoice by way of electronic means, EITHER the SAT (tax authority) online portal or third-party software. So, this verification code is generated using the

electronic file for each tax-payer that contains the “Sello Digital” referenced above. This file is in the possession of the company’s accountant.

1. **Authentication of Digital Signature and Invoice Verification Code:** Unique “Sello Digital” or digital signature must be authenticated. Authentication of the signature takes place via digital platform via the SAT (tax authority) website OR by way of authorized third-party certifier. Therefore, once invoice is generated it is sent digitally to either the SAT (tax authorities) OR by authorized third-party invoice certifier. The SAT or third-party authenticates the digital signature and issues a final invoice number for the invoice that corresponds to the company’s unique digital signature and the particular transaction. This unique number or “FOLIO” is then integrated into the invoice along other digital information. Remember, the invoice now has its own Invoice Verification Code, which at this point is now authenticated and appears on the bottom of the invoice as a long string of incomprehensible numbers and letters.
 2. The invoice is then valid for purposes in Mexico.
- **Finalization.** The invoice is sent instantaneously electronically to two places, (1) to the official email of the recipient of the invoice, and (2) becomes available via the recipient’s (customer’s) official government SAT portal.
 - **Example of Electronic Invoice.** Notice the string of numbers at the bottom of the invoice corresponding to the Sello Digital of the company, Invoice Verification Code and FOLIO number, respectively. *Addendum: See “[Step-by-Step Guide to Electronic Invoicing.pdf](#)” included for additional information.

FACTURA ELECTRÓNICA (CFDI)				
HOTEL COLONIAL IZEL			FACTURA: A-01005	
			Folio Fiscal: 9895551D89004C4E6B5BB4E0A1419A9	
RFC: AAA010101AAA Zapotal No. Ext. 125 Col. La Manga II			No de Serie del Certificado del CSO: 20001000000100005868	
Villahermosa, Centro, Tabasco. C.P. 86090 Tel.: (993) 2692919.			Fecha y hora de emisión: 23-09-2013 11:52:42	
LUGAR DE EXPEDICIÓN : VILLAHERMOSA, TABASCO				
RECEPTOR : PEMEX GAS Y PETROQUIMICA BASICA				
RFC CLIENTE : PGP920716MT6				
DIRECCION : AVENIDA MARINA NACIONAL 329 PETROLEOS MEXICANOS				
. Distrito Federal, C.P. 86125, México.				
TELEFONO : 5519445005				
CANTIDAD	UNIDAD DE MEDIDA	DESCRIPCIÓN	P. UNITARIO	IMPORTE
1.000	No Aplica	HABITACION DOBLE CORRESPONDIENTE AL DIA 22 DE SEPTIEMBRE	350.000	350.000
1.000	No Aplica	CONSUMO DE ALIMENTOS	258.620	258.620
(SETECIENTOS TRECE PESOS 00/100 M.N.)			SUBTOTAL \$	608.62
			DESCUENTO \$	0.00
			SUBTOTAL \$	608.62
			ISH 2% \$	7.00
			IVA 16% \$	97.38
			TOTAL \$	713.00
			METODO DE PAGO : NO IDENTIFICADO	
			REGIMEN : PERSONA MORAL	
Sello Digital del CFDI: XOJDWolPdK0YwJhdM37Pm80DchalzGPtqh7INxtrUJdeXONGUDMnFXkBFg9GUrwj8pxaaO/QVG6Cgb0z170/YDeAzs8JEEM6SV+VbYg;:zwtIDH76REI6bQ1MzQW09MTu8wQwAIAx5wkLJFOWs1FIDmOBQq8SpqWHeEWrQ=				
Sello del SAT: Q+RwqNYm/soiLXR8nLag51XUBCFd79AF0DRRyJvQ4sdr5turnX8kFedwLAZKblm-cBfrPGkbc6kaz2Xf-UgsMEJQa/EeL3EAlg/2V77F57PvCTrASLm3Wx24CbLBYlfas5JYQI3Xtk9Deaw5myfu/LY/R73aKr780YS24=				
Cadena Original del complemento de certificación digital del SAT: 1.0 9895551D89004C4E6B5BB4E0A1419A9 Q+RwqNYm/soiLXR8nLag51XUBCFd79AF0DRRyJvQ4sdr5turnX8kFedwLAZKblm-cBfrPGkbc6kaz2Xf-UgsMEJQa/EeL3EAlg/2V77F57PvCTrASLm3Wx24CbLBYlfas5JYQI3Xtk9Deaw5myfu/LY/R73aKr780YS24- 20001000000100005761				
No de Serie del Certificado del SAT: 20001000000100005761				
Fecha y hora de certificación: 23-09-2013 11:52:42				
Pago en una sola exhibición		Esta es una representación impresa de un CFDI		Efectos fiscales al pago
<small>Descarga tu factura en XML GNCYS.COM</small>				

D. Special Invoicing Considerations for High-Volume Clients

Each invoice must be manually generated by your accountant OR generated automatically by a digital platform.

- **Manual Entry.** If your company produces purchase orders, each purchase order must be recorded as an invoice with the Mexican authorities. This can happen at the moment of invoice or at a later time. In theory, invoicing should occur within 3 days of the transaction as a matter of good-practice. In real life, invoices can be generated at any time after... usually during the same month. The information for each invoice may be entered via excel/XML file and submitted via the SAT website OR to an authorized third-party certifier. This process is online and via electronic means. The invoices are generated and sent directly to the client and may be accessed by way of the client's electronic SAT portal and will appear on the issuers (your) electronic SAT portal.
- **Automated Entry.** Your company's inventory information system can be outfitted with an "XML" plugin that submits the information for each purchase order directly to the Mexican authorities via the SAT's portal or a third-party certifier. An invoice will thus be created instantaneously in a matter of seconds of receipt of the purchase order, complete with electronic signature. The invoice is automatically then forwarded to you customer.

For information on what option is best for your operation, please contact Bicentennial Group to design a solution package.

E. Implementation of Invoicing Infrastructure

In the case that you choose to implement an automated electronic invoicing model, we would contract an IT firm to perform this function for you and they would provide your IT inventory infrastructure with the appropriate modifications to issue electronic invoices. Otherwise, you could send us the information for your purchase orders in a custom-designed spreadsheet with the information for the transaction, or send us each individual purchase order for Mexico and we will generate the electronic invoices corresponding to each of your sales or shipments.

VII. Basic Accounting Services.

A. Example – Number of labor hours 65 hours per month as estimated or 50 hours per month without electronic invoicing.

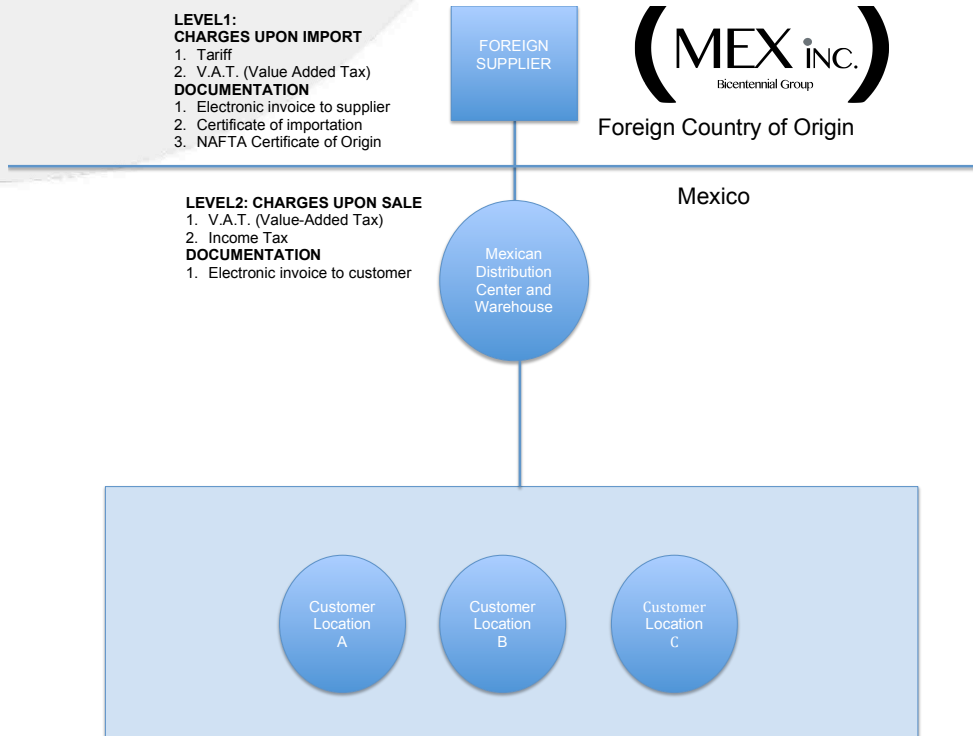
- Earnings: 5 million USD per annum
- Invoices: generation of 400 invoices per month.
- Services:
 - Generation of basic accounting documents
 - Recording of bank deposits
 - Determination of tax obligations
 - Cash flow determination
 - Costs and earnings
 - Balance sheets
 - All additional and necessary accounting for company within Mexico
 - Periodic tax filings
 - Generation of Electronic Invoices.

B. Operational Charges and Procedures

Charges

- 16% VAT upon importation
- 16% VAT upon sale to buyer
- Import tariff (non-NAFTA origin) and varies by product.

Flow Chart



VIII. Important Considerations.

Banking. Banking in Mexico can be a particularly bureaucratic process with multiple levels of review and authorization. Most authorization is centralized and the local banking officer in almost all instances does not exercise direct authority of the approval or rejection of a bank account application for businesses. Companies engaging in the financial sector and other sensitive industries can expect to find difficulties in opening a bank account. Money laundering reform in Mexico and the U.S. has meant a tightening in the availability of financial services for some customers and for U.S. legal entities and individuals.

In theory, as a direct result of the Report of Foreign Bank and Financial Accounts (FBAR) and the Foreign Account Tax Compliance Act (FACTA) by the United States Congress, all foreign financial institutions must report information concerning U.S. tax-payers and citizens to the U.S. Internal Revenue Service (I.R.S.) concerning, among other things, account balances of thresholds in excess of \$10,000 USD and \$50,000 USD. Furthermore, U.S. foreign account-holders are required to submit this information on their own to the IRS, even if they are only signatories to the account and not the foreign account's direct beneficial owner.

In Mexico, many banks and their representatives are not familiar with these requirements, which may potentially delay the opening of bank accounts and subscription to various financial services.

Important - some banks require a person with local residency (temporary or permanent residence) to sign contracts for bank accounts. That means, in most cases, a representative of the company traveling on a business visitos' visa (FMM para negocios) will not be able to sign appropriate documents. HSBC and Monex permit contracts to be signed and FedEx'd anywhere in the world. In some cases, BBVA Bancomer permits foreigners without residency to sign depending on the branch. Banorte has strict policies against signatories without Mexican residency, but is the most accessible for high-risk client accounts. Some banks, such as HSBC, will permit linking of foreign accounts with HSBC branches around the world, thus facilitating online banking and transfers among existing foreign accounts.

- **Required Documents**
 - **Articles of Incorporation for entity in Mexico**
 - **Copy of Public Commercial Property Registration (if one has not yet been issued, than a letter of the notary indicated submission is in process)**
 - **Copy of the identification of the person who will sign on behalf of the company**
 - **Tax ID of U.S. Shareholders**
 - **Proof of address of office or registered agent in Mexico**
 - **Copy of SAT and Tax ID registration documents for entity in Mexico**
- **Procedures**
 - **Provision of above documents to bank**
 - **Initial bank review**
 - **Second round provision of supplementary documents**
 - **Second round legal bank legal review**
 - **Third round of provision of supplementary tax documentation for U.S. taxpayers, residents and citizens**
 - **Final legal review**
 - **Contract signature (in many cases the signatory must be a resident of Mexico. Tourist/Business visas are not commonly accepted. Institutions such as Monex, HSBC and in some cases Bancomer permit signature by courier or with a Tourist/Business visa)**
 - **Account processing and provision of account details**

International Tax Structuring. Some of the most important considerations when incorporating a subsidiary in Mexico relate to tax considerations when repatriating income. Unlike in the U.S. where limited liability companies' income is taxed directly on the personal income filings of its owners, in Mexico, all legal entities are tax independently or subject to "double taxation." However, income from the S. de R.L. form in Mexico repatriated to other jurisdictions like the U.S. can be filed directly on its owners' personal income filings, thus avoiding double taxation. Repatriation of earnings or "transfer payments" occurs in generally four different manners, dividends, services contracts, loans and royalty payments. Through carefully crafted combinations of these forms of transfer payments, the taxable income of the Mexican entity can be reduced and lower tax rates achieved.

Invoicing. The inability to emit invoices constitutes barriers to foreigners doing business in Mexico. In many instances, potential clients, customers and suppliers will not engage in business with partners who are unable to emit electronic invoices. It is important that investors in Mexico to consider that most transactions undertaken will have to be memorialized in an electronic invoice

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prepared by an account. In some instance, electronic invoice generation can be automated via integration of information technology platform. This is especially relevant for high-volume customers.

Incorporating. The incorporation process in Mexico is a decentralized bureaucratic process. At least five government authorities are involved in the preparation of a new legal entity, including: the Secretary of the Economy, the Tax Administration Service, the Public Registry of Commercial Property, the National Registry of Foreign Investment and the Secretary of Income and Public Credit. The decentralized nature of the incorporation process may occasion delays.

When incorporating, it is important to consider several points to help improve the process:

- An authorized official translator in Mexico must translate all foreign language documents.
- Incorporation does not require travel to Mexico and can be done by properly-crafted international power of attorney in accordance with the Washington Protocol.
- It is important that the person, notary or attorney advising concerning the incorporation on behalf of a foreign entity investigate precisely the necessary documents required from outside of Mexico.
- In every case, an address or registered office will be required.
- In many but not all cases, a local representative will be required.
- Legal entities in Mexico are legally required to submit monthly accounting filings.

Local Offices and Representatives. A local address is required without exception in order to obtain a Tax ID number. In some limited cases, banks or other institutions will require proof of address be furnished under the name of the Mexican legal entity and not the name of the representative – i.e. a telephone bill under the name “New Entity in Mexico, S.A.” Local address registered agents assume a certain degree of liability for debts of the legal entity in that they may be subject to government action against the property in case of default on taxes or in the case of audits. Liability of this nature is a threat regardless of whether the property is registered under the name of another individual or legal entity.

Politics and Security. The political environment in Mexico, particularly in relation to business and regulation, is characterized by reform: the Income Tax, Energy Reform, Money Laundering and Telecommunication reforms are just a few among many. This can cause a certain degree of uncertainty for entrepreneurs entering into the market. It is not an uncommon occurrence to have a reform implemented and come into legal force without the necessary implementing regulations that accompany – as was the case with immigration reform in 2013. In the past, the Mexican government has not in Bicentennial’s assessment paid adequate attention to the negative short-term effects of regulatory changes on the ability of firms to operate and do business. In cases where the government has implemented and required the use of digital platforms, the necessary information technology infrastructure was not in place or plagued with glitches – as was the case with the recent Income Tax Reform.

In most cases, security does not pose a major impediment to operating a new business in Mexico. The security situation throughout Mexico has improved significantly over the past four to five years.

Currency. The value of the Mexican Pesos has decreased relative to the dollar, which signifies good news for investors. The per-dollar return on investment can be higher because of lower cost of locally sourced materials and labor. Investors will see their buying power increase when changing from a variety of foreign currencies. The decrease in the value of the Mexican Peso has been

occasioned in part by a drop in oil prices, the oil industry being a major component of the Mexican economy. The Mexican Peso's loss of value has stabilized along with international oil prices and stabilization programs implemented by the Mexican central bank.

Labor and Employment. Mexico has strict labor regulations that significantly favor employees, benefits and unions. Mexico is not an "at-will" employment jurisdiction.

- Employees are entitled to receive 10% of a companies after income within the 1st five months of the fiscal year, with the following exemptions:
 - During first year of operations
 - During for first two years of operations for manufacturers
 - During the exploration period for mining operations
 - Business falling below threshold set by Mexican Labor Department
- Minimum daily wage is MX70.10 pesos (\$4.50 US) per day in most regions and MX66.45 pesos (\$4.28.00 USD) per day
- Minimum wages vary by region and profession in some circumstances
- Work-week is six eight-hour shit, with Saturday work being common
- Nin paid legal holidays
- Minimum six-day paid vacation period after first year at 25% of wages
- Jurisdiction of labor arbitration authority in cases of disputes
- Severance pay in case of dismissal based on time worked for dismissals without cause.
 - Three months of salary
 - 20 days of salary for each year worked
 - Retained benefits
 - 12 days salary for seniority
 - Salary from date of dismissal to date of payment
- Required registration of employment contracts
- Social security contributions varying based on type of work involved and benefits conferred
- Government housing contribution (INFONAVIT) at 5% of employee wages
- End-of-year bonus equal to at least 15-days wages and required prior to the 20th of December of each year.
- Six weeks of maternity leave
- Overtime pay double-pay or more.
- Retirement fund contribution of 2% of wages with a maximum of 25 times the minimum wage in the Federal District

IX. Conclusion:

- The incorporation process can be completed quickly and your company can be ready to begin business in about 3-4 weeks.
- You can either have our accountants generate your invoices or implement an automated solution for electronic invoicing. Should you choose to implement an automated electronic system, there are IT firms that specialize in high-volume automated invoicing systems that can integrate into your current IT inventory infrastructure. We are able to coordinate this solution for you upon request.

Please let us know if you have any particular questions and we will promptly respond to your inquiry. All of us here at Bicentennial Group wish to express our gratitude for your consideration and we are excited to make your expansion into Mexico a success.

Sincerely,

The Partners and Staff of Bicentennial Group LLC

Annex I: Frequently Asked Questions

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16. [What type of company form is best for me?](#)
17. [I am looking to start a large business. Can MexicanIncorporation.com help me form my company?](#)
18. [I am looking to start a small business. Can Mexican Incorporation.com help me form my company?](#)
19. [Will I need anything else like government licenses to begin operating my business once my company is formed?](#)

1. What types of companies can I form in Mexico?

Answer: In Mexico, the two major types of companies are called the *Sociedad de Anónima* and the *Sociedad de Responsabilidad Limitada*. They are basically the equivalent of a Corporation and a Limited Liability Company in the United States. There are other company forms such as the *Sociedad Civil*, which is similar to a professional partnership that your doctor or lawyer might have for his or her office. There is also the *Asociación Civil*, which can be compared to a non-profit company. Mexico has additional types of companies but they are not commonly used.

2. How much capital do I need in order to start a Mexican company?

Answer: Well, that depends. Starting a Corporation in Mexico or *Sociedad Anónima* as it is called, requires a minimum capital investment of MX50,000 Mexican Pesos, which is the equivalent of about \$3,760 United States Dollars. A *Sociedad de Responsabilidad Limitada* or Limited Liability Company as it is called, requires a minimum capital investment of MX3,000 Mexican Pesos or about \$225 United States Dollars.

3. Can a single person own the entire company?

Answer: No. All Mexican companies are required to have at least two shareholders, unless they are a sole proprietor ship. Remember, this is a big difference from many other countries around the world that permit a single person to own the entire company.

4. Do I have to come to Mexico to start my company?

Answer: No. MexicanIncorporation.com uses an international power of attorney, specially designed for businesses in Mexico, that allows us to act on your behalf without stepping foot in Mexico. No flights, no visas, no complications.

5. Does my company need to have a Board of Directors?

Answer: No. The company can have either a board of directors or what's called a sole administrator. The sole administrator individually will retain all of the powers over the company. The sole administrator does not need to be a shareholder.

6. Do Mexican companies have by-laws?

Answer: Yes. All Mexican companies must have by-laws and articles of incorporation. The by-laws determine the individual powers of the officers and directors. The by-laws also provide an outline of internal day-to-day decision making of the company. For example, the by-laws will determine what powers each director or officer may exercise – like opening bank accounts versus selling property. Or for example, the power to represent the company in legal actions or file the company's taxes.

7. Is there a limit to how many shareholders my company can have?

Answer: Yes, in some cases. With a Mexican Corporation or *Sociedad Anónima* as it is called, there is no limit to the number of shareholders. However, there is a 50 shareholder limit for Limited Liability Companies or *Sociedades de Responsabilidad Limitada* as they are called.

8. Can foreigners own companies in Mexico?

Answer: Yes, with some limitations. Foreign investors are required to register with the Foreign Investment Registry without exception. Most companies in Mexico can be wholly foreign owned except within several industries such as communications and transportation among others.

9. What do I need in order to import to or export from Mexico?

Answer: All companies importing to Mexico must register with the Importers Registry. Likewise, exporters within certain limited industries like tobacco, minerals... etc must register with the Exporters registry.

10. Will my Mexican Company have to pay taxes?

Answer: Yes. All Mexican companies, even if foreign owned, must pay taxes on Mexican source income. These taxes include sales tax, income tax and corporate flat tax if applicable.

11. Will I have to pay taxes in Mexico and also my country of nationality if I am a foreigner?

Answer: Not necessarily. Mexico has agreements to avoid double taxation with the following countries: Germany, Australia, Austria, Belgium, Brazil, Canada, Chile, China, Korea, Denmark, Ecuador, Spain, Finland, France, Greece, Indonesia, Ireland, Israel, Italy, Japan, Luxembourg, Norway, New Zealand, the Netherlands, Poland, Portugal, the United Kingdom, the Czech Republic, Slovenia, Romania, Singapore, Sweden and Switzerland. Find out more at the following link available in both English and Spanish.

Mexican Double Taxation Treaties –

http://www.sat.gob.mx/sitio_internet/servicios/noticias_boletines/33_10771.html

12. Can my company issue preferred or different classes of stock?

Answer: Yes. A Mexican Corporation or *Sociedad Anónima* may issue different classes of stock with preferences for voting and dividends... etc. However, a Mexican Limited Liability Company or *Sociedad de Responsabilidad Limitada* cannot.

13. Must my company hold annual shareholders meetings?

Answer: Yes. In the case of both Mexican Corporations and Limited Liability Companies (*Sociedades Anónimas* and *Sociedades de Responsabilidad Limitada*, respectively) annual shareholders meetings are required.

14. How long does it take to form a Mexican Company?

Answer: In most cases it takes 3-5 weeks from the time we receive the required paperwork from the customer.

15. Will I be protected against lawsuits in case my Mexican Company is sued?

Answer: Yes. In the case of both Mexican Corporations and Limited Liability Companies (*Sociedades Anónimas* and *Sociedades de Responsabilidad Limitada*, respectively), the liability of the owners extends only to the company's assets and not to the individual assets of the owners themselves.

16. What type of company form is best for me?

Answer: That depends on how many shareholders there will be, the flexibility desired in managing the company and the level of formality required. For a small business like a restaurant, store or small-scale manufacturing operation, we recommend a Limited Liability Company or *Sociedad de Responsabilidad Limitada* as it is called. For a large-scale manufacturing operation or a business with more than say 5 investors we recommend a Mexican Corporation or *Sociedad de Responsabilidad Limitada* as it is called. In either case, a *Sociedad de Anónima* offers certain legal protections for shareholders that are not necessarily available with other corporate forms. There is no easy answer to this and if you have questions, you should really contact us directly to identify the type of company that suits your needs.

17. I am looking to start a large business. Can MexicanIncorporation.com help me form my company?

Answer: Absolutely. We are able to incorporate both small and large companies in Mexico... and everything in between.

18. I am looking to start a small business. Can MexicanIncorporation.com help me form my company?

Answer: Yes. Particularly for small and medium-sized businesses, we can help keep your costs down and get up and running quickly.

19. Will I need anything else like government licenses to begin operating my business once my company is formed?

Answer: It depends on the type of business. For example, if you plan on opening a restaurant, you'll need a local business license, liquor license and other applicable health permissions. If you are planning to start a business dealing with medicines, for example, you'll need to obtain safety approval for the medicines, register warehouse or location where they will be stored, and obtain other authorizations from the Ministry of Health. MexicanIncorporation.com can consult with the required additional steps on a client-by-client basis.