



GUIDE “INVEST IN MEXICO”

GUÍA BÁSICA PARA INVERTIR EN MÉXICO



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I. REASONS TO INVEST IN MEXICO

1. Geographic Location

a. Territory

Mexico has a territory of 1,964,375 sq.km., of which 1,959,248 sq.km. are continental territory and 5,127 sq.km. are islands. To this surface area we must add the Exclusive Economic Zone consisting of territorial seas of 3,149,920 sq.km, for a total surface area of 5,114,295 sq.km. Mexico is divided into 32 federal states, and the capital city is the Federal District, which is the seat of the Powers of the Union.

b. Boundaries

Mexico borders with the United States of America, Guatemala and Belize in 4,301 kilometers which are distributed as follows:

- The border with the United States of America is 3,152 km, from Landmark 258 Northwest of Tijuana to the river mouth of the Rio Grande in the Gulf of Mexico. The states in the northern border are: Baja California, Sonora, Chihuahua, Coahuila, Nuevo León and Tamaulipas.
- The borderline with Guatemala is 956 km long, and with Belize, 193 km (Not including 85,266 km of sea limits in the Bay of Chetumal). The states in the south and southeast borders are Chiapas, Tabasco, Campeche and Quintana Roo.

c. Government

The United Mexican States are a federation with a representative, democratic and republican government based on a congressional system according to the 1917 Constitution. Mexico is constituted by 31 free and sovereign states and its capital, Mexico City. The federal government is constituted by the Powers of the Union, the three separate branches of government: Executive, Legislative and Judiciary.

Executive: the President of the United Mexican States, who is the head of state and government, at the same time. The President also appoints the Cabinet and other officers. The president is selected to serve one six year term, and there is no possibility of being reelected. Since 2006 Felipe Calderón Hinojosa is in charge of the presidency.

Legislative: the bicameral Congress of the Union is composed of a Senate and a Chamber of Deputies. The Senate is conformed of a total of 128 senators (three per state and 32 elected by proportional representation). The Chamber of Senators

is completely renewed each 6 years, concurrent with the presidency's term. All elected executive officials are elected by plurality (first- past- the- post). The Chamber of Deputies of the Congress of the Union is constituted by 300 deputies elected by plurality and 200 deputies elected by proportional representation. Each state is represented in the Chamber of Deputies by at least four legislators. Elections for legislators in the Chamber of Deputies are carried out every three years. Congressmen (senators and federal deputies) may not be re-elected for the immediately succeeding term.

Judiciary: The Supreme Court of Justice and the inferior and specialized tribunals. The Supreme Court is comprised by eleven judges appointed by Congress approval. The Minister of the Supreme Court occupies this position for a 15 years term.

The Mexican federation is composed by 32 Federal States. Each state is free and sovereign and has one Constitution (except the Federal District) and its own Congress.

All constituent States have a republican form of government composed of three branches: the executive, represented by a governor elected for a six year term, with no possibility of being reelected; the legislative branch constituted by a unicameral congress and the judiciary, also called a Supreme Court of Justice. They also have their own civil and judicial codes.

Mexican States are also divided into municipalities. 2,438 municipalities exist in the Mexican Republic. The state with the largest number is Oaxaca, with 570. In contrast, Baja California and South Baja California only have five municipalities each. The municipal city councils are headed by the municipal president. The municipal president is elected every three years, in different dates according to the electoral calendar of each state. Each municipality possesses a town council integrated by "regidores" (counselor) and syndics, who are elected also for a three-year term. Municipalities can be further subdivided into non-autonomous auxiliary presidencies (delegations).

Mexico City, the Federal District, is the capital of the federation and seat of the powers of the Union. The City was ruled by a governor, until the charge was cancelled in 1928. Later on, it was governed by a Regent (regente) who was directly nominated by the President. On July 6, 1997 residents directly elected the first head of government (Mayor) (*Jefe de Gobierno*), and the representatives of a Legislative Assembly (1994). The Federal District is divided in political delegations, and since 2000 the head of each political entity is elected by plurality for a three-year term.

d. Religion

Mexico has the world's third largest number of Catholics, after Brazil and the United States. Nonetheless, the Mexican State is officially laic since anticlerical laws imposed the separation between religious institutions and political affairs according to the Constitution of 1857, and later ratified in the Constitution of 1917. As of the second half of the XX century, the introduction of creeds, different from the Catholic, began.

According to data from the National Statistics, Geography and Information Technology Institute (INEGI, in Spanish), most Mexicans are Christians and in their majority Catholic (over 74,600,000 members). The second Christian group is the Jehova's Witnesses (over one million members), which ranks this Mexican congregation in the world's second place in that Christian branch. The Church of the "Light of the World" is ranked in third place with its center in La Hermosa Provincia, in the City of Guadalajara. The Pentecostals and its denominations are also important, mainly in the cities near the border and in indigenous communities. In fact, Pentecostal churches claim to have over 1,300,000 believers; ranking them as the second Christian creed in Mexico in net numbers. This fact changes when different Pentecostal denominations are considered as separate entities.

The proportion of Catholics varies according to the different social ambits. It is usually lower in the cities, although there are some indigenous regions where protestant members reach up to 30 percent. Even, in some regions of the state of Chiapas, the native Muslim community reaches 5,000 believers. The major religious diversity is shown at the north of the country, in the border with the United States, and in the southeast which population is mainly indigenous. The center, and especially the Bajio region, is overwhelmingly Catholic. For example, 95 percent of the natives of Aguascalientes, is Catholic, the same as more than 90 percent of the population of Jalisco and Guanajuato. The number of persons who have no religion is also important; more than 2 million of the total considered (84 million people aged five years or more); approximately 3% of the universe estimated by the INEGI).

Religions in Mexico ¹	
Religion	Believers
Catholic	74.612.373
Protestants and evangelic	4,408,159
Historicals	599.875
Pentacostals	1.373.383
The Light of the world	69.254
Others	2.365.647
Non evangelical biblical	1,751,910
Seventh Day Adventists	488.945
Mormons	205.229
Jehova's witnesses	1.057.736
Jews	45.260
Non-religious	2.982.929
Non-specific	732.630
¹ Only population aged five years old and more were considered	
Source: INEGI (2000)	

To consult census, see: <http://www.inegi.gob.mx>

e. Population

Mexico has 103,263,388 inhabitants according to the latest census by the National Statistics, Geography and Information Technology Institute (2005) composed in 60% by mestizos, 30% Amerindians, 9% Europeans and 1% others.

The official language of Mexico is Spanish and it has over 66 Amerindian languages. The currency is the mexican peso (\$).

For population census, visit: <http://www.inegi.gob.mx>

f. Labour force

Responsible authority: National Statistics, Geography and Information Technology Institute (INEGI).

<http://www.inegi.gob.mx>

Working-age Population

During the first quarter this year (2008), the country's WAP was 45.1 million people, one million more than in the same quarter in 2007. When comparing this figure with population aged 14 or more, we find that a little more than 58 out of every 100 persons in working age took part in working activities, either because they were occupied or because they were seeking to be (unemployed population).

Employed Population

It is possible to identify which part of the WAP took part in creating an economic good or rendering a service (employed population), which as of January-March 2008 amounted to 43.3 million people (27 million men and 16.3 women), 920 thousand more than for the same quarter last year, 42.4 million people.

If we consider the economic sectors where the working population works, we find that 5.7 million (accounting for 13.1% of the total amount) are in the primary sector, 10.9 million (25.2%) in the secondary or industrial sector, and 26.4 million (60.9%) work in the third party or service sector.

If we analyze the amount of hours worked by the working population per week, we can clearly see the following: on the one hand, 6.7% people work less than 15 hours per week, while in the opposite side there are 27.2% people who work more than 48 hours per week. In average, working population worked 42-hour week in the reported quarter.

Another approach for working population is that it refers to the size of the economic unit where it works. Thus, 36.9 million people (excluding the agribusiness sector), a total of 17.8 million (48.2%) are working in small businesses; 6.6 million (17.8%) in small businesses; 4.3 million (11.5%) in medium businesses; 3.9 million (10.7%) in large businesses and 4.3 million (11.8%) in other kind of economic units.

Between January and March of 2007 and the same quarter of 2008, small businesses generated the highest number of employments, occupying 429,000 more employees. This figure also rose in large and small companies, occupying 169,000 and 152,000 workers, respectively. In contrast, employees lowered in medium companies by (-) 59 thousand.

Data about occupation allow knowing that most working people (66.3%) are employees and receive compensation. This group is composed by 28.7 million employees who receive compensation, followed by (in amount of workers) independent workers, who account for 22% of the total working population, that is, 9.5 million. Non-compensation employees are 3 million (6.8%), and finally, employers (principals) add for a total of 2.1 million people (4.9%).

The State of Mexico and the Federal District are the largest labor markets in the country, with 5.8 and 4 million people employed, respectively, almost accounting for 22.5% of the national population. They are followed by Jalisco with 3 million, Veracruz de Ignacio de la Llave with 2.9 million and Puebla 2.2 million working persons. In the other end and corresponding to their population structure, we find the smallest states as regards the size of the labor market: Baja California Sur with 255,000, Colima 276,000, Campeche 338,000, Nayarit 419,000, Aguascalientes 426,000, Tlaxcala 432,000 and Zacatecas 487,000 working people.

The federative entities that showed larger participation rates in the economic activity (WAP/population of 14 years old or more) were: Quintana Roo 69.9%, Baja California South 64.7%, Colima 64.4%, Jalisco 62.6%, Yucatan 62.4%, Nayarit 62.3% and Campeche 60.4%; while those that showed the lowest rates were: Zacatecas 52.5%, Durango 54.8%, Guanajuato and Chiapas 55.4% each, Veracruz of Ignacio de la Llave 55.6%, and Hidalgo 56.2%

It is worth mentioning that data per state are an important source of information in order to learn about the different occupational and employment situations in each of the states of the country.

Underemployed Population

Underemployed population, that is, people who claimed having the need and availability to work more hours that those required by its current occupation, amounted during January-March of 2008 2.9 million people, which represents (-) 391,000 less people than the same period of one year before. Underemployed population is less in all the productive sectors, in the primary and secondary sectors, 7 out of 100 people are in this situation, whereas in the tertiary, 6 out of 100 people.

Unemployed population

During the first quarter of 2008, a total of 1.8 million people were unemployed in the country, which means an unemployment rate (UR) of 3.9% nationwide. This WAP figure is lower than the 4% reached in the same quarter in 2007.

Non-working Age Population

Non-working Age Population comprises the people who are not participating in the economy either as employed or unemployed. For the first quarter of this year, 31.7 million people were part of the NWAP, 26.7 million of which were unavailable (21.4 million had no interest in working due to other obligations), and 5 million were available to work.

g. Minimum Wage

Responsible authority: National Minimum Wage Commission.

<http://www.conasami.gob.mx>

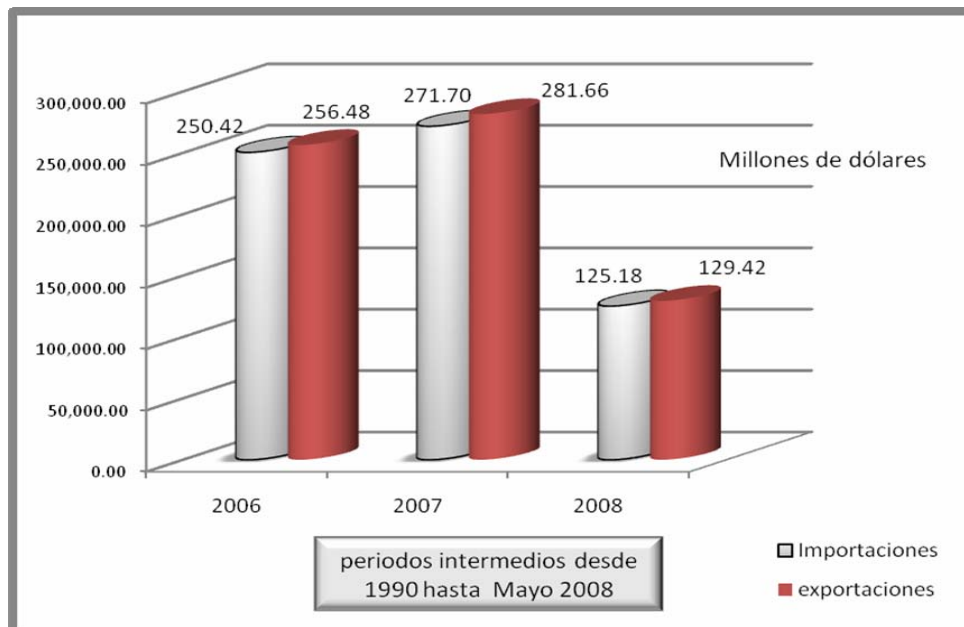
	Pesos
"A" Geographic Zone	\$52.59
"B" Geographic Zone	\$50.96
"C" Geographic Zone	\$49.50

NOTE: Information of the National Minimum Wage Commission, providing the general and professional minimum wages for 2008, effective as of January 1, 2008.

For detailed information on minimum wage, visit: <http://www.conasami.gob.mx>

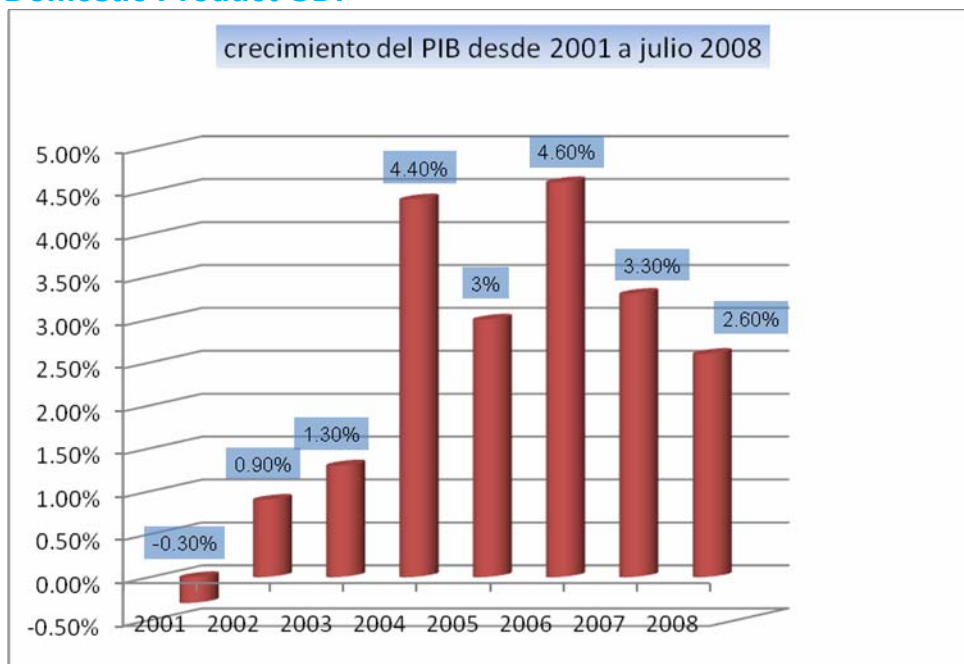
2. Economic Indicators

Foreign Trade Exports-Imports



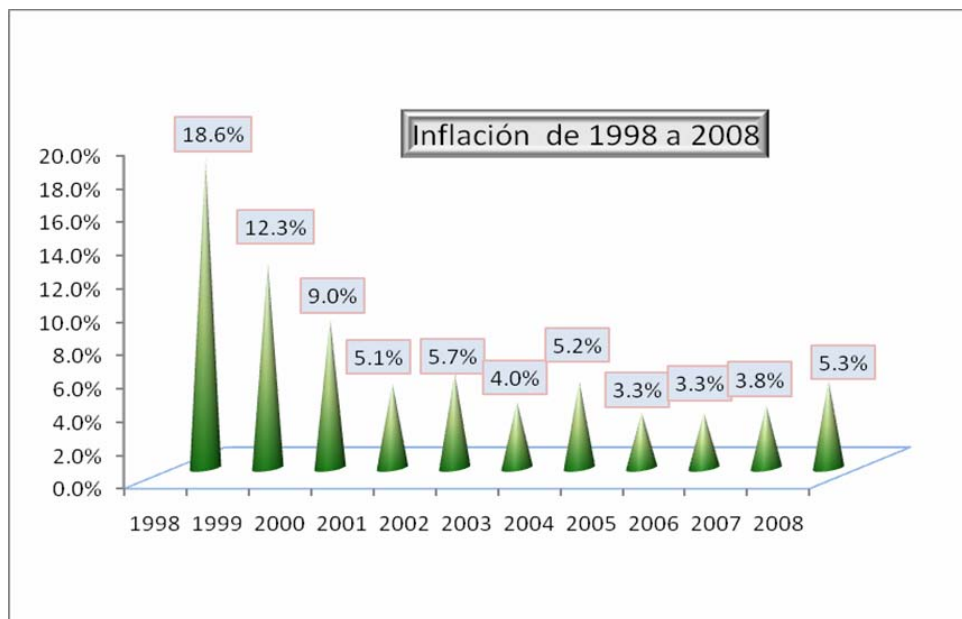
Source: INEGI

Gross Domestic Product GDP



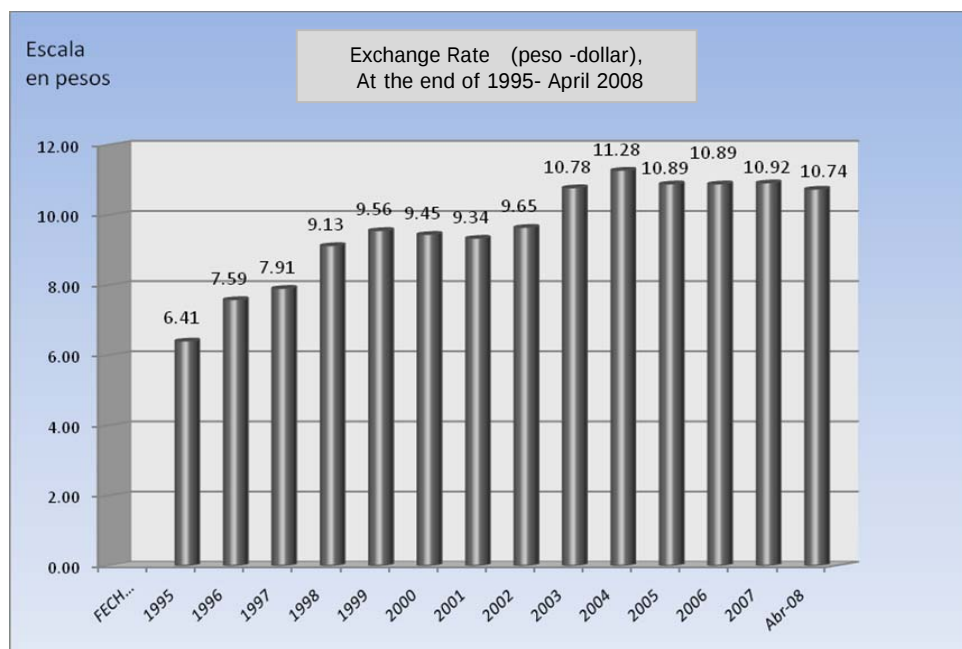
Source: Bank of Mexico

Inflation



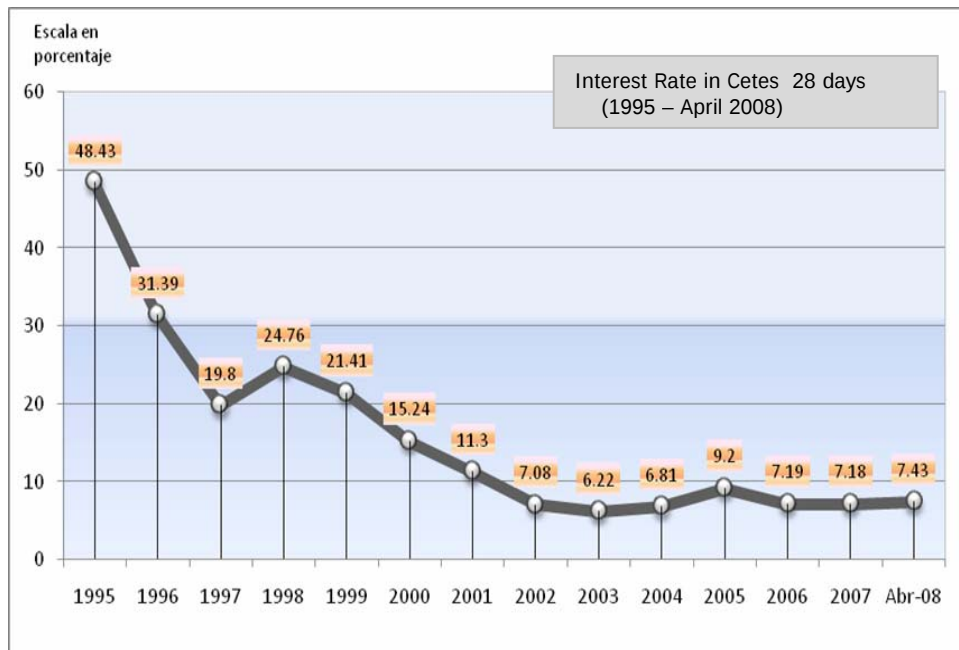
Source: Bank of Mexico

Exchange Rate



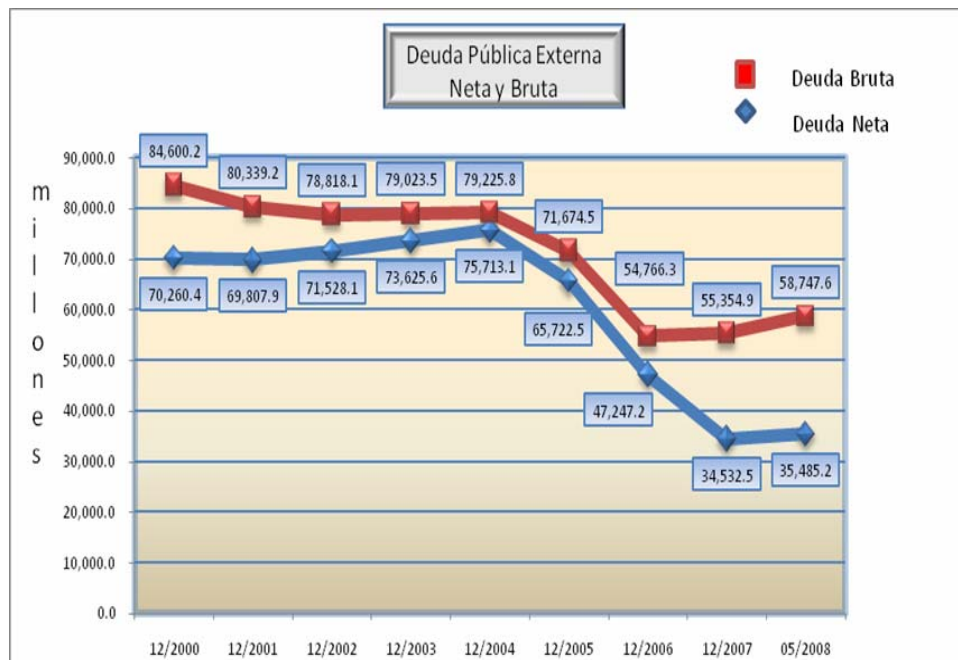
Source: Bank of Mexico

Interest Rate



Source: Bank of Mexico

Foreign Public Debt

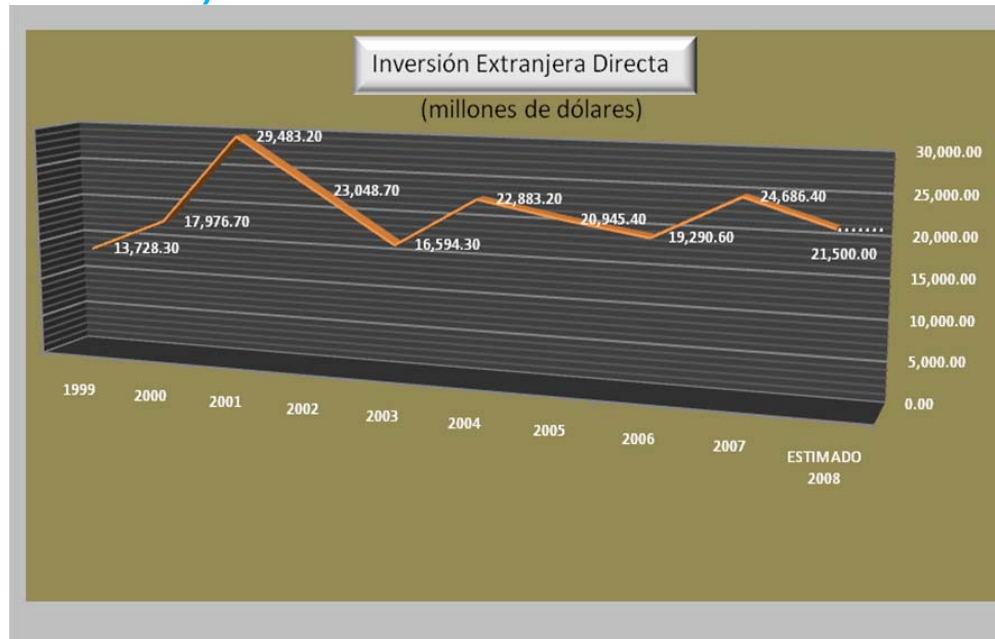


Source: Public Debt Office, Public Credit Unit, Ministry of Treasury

3. Development of Foreign Direct Investment (FDI)

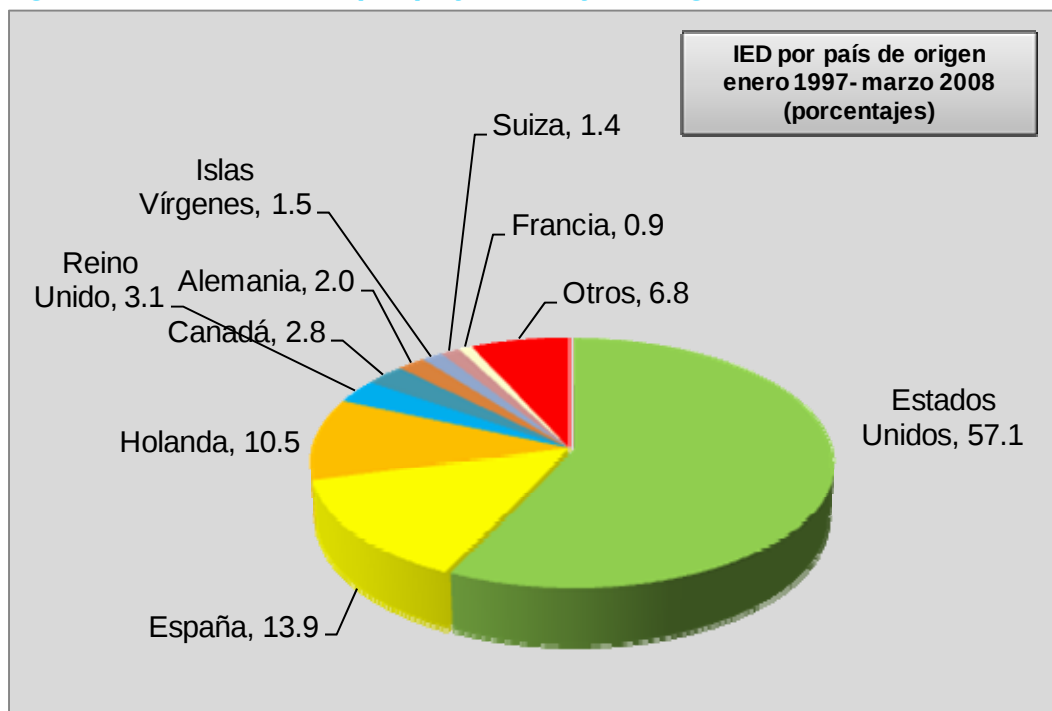
Responsible authority: Foreign Investment Office. Ministry of Economy.
www.economia.gob.mx

Foreign Direct Investment (FDI) in Mexico (US million dollars)



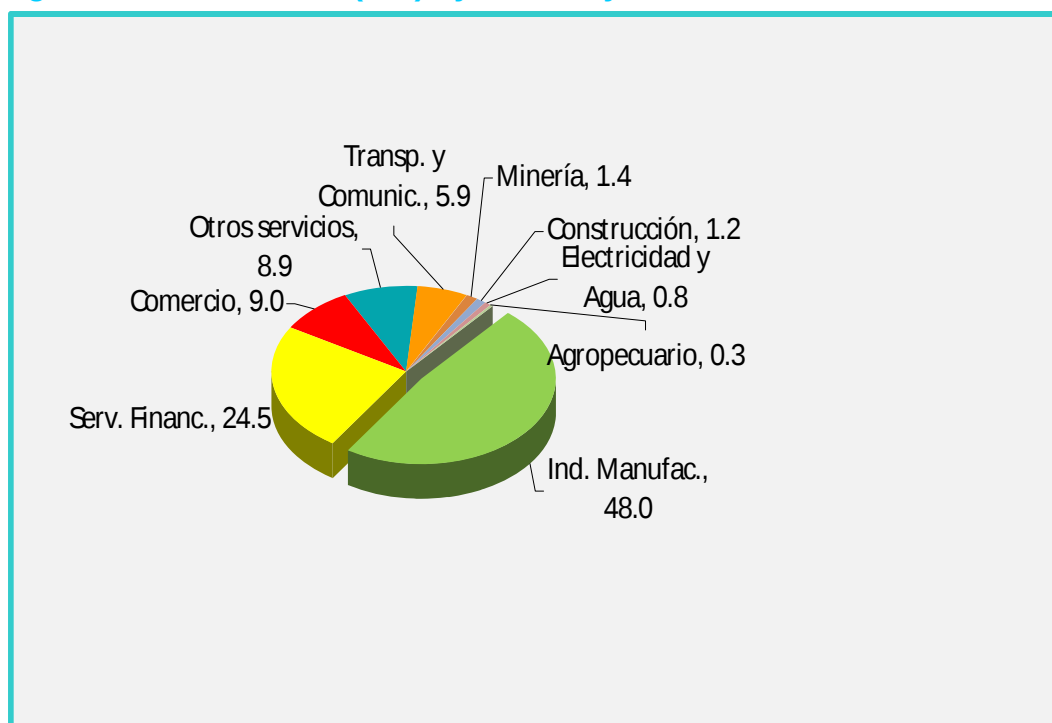
Source: Ministry of Economy

Foreign Direct Investment (FDI) by country of origin



Source: Foreign Investment Office (DGIE), Ministry of Economy

Foreign Direct Investment (FDI) by economy sector



Source: Foreign Investment Office (DGIE), Ministry of Economy

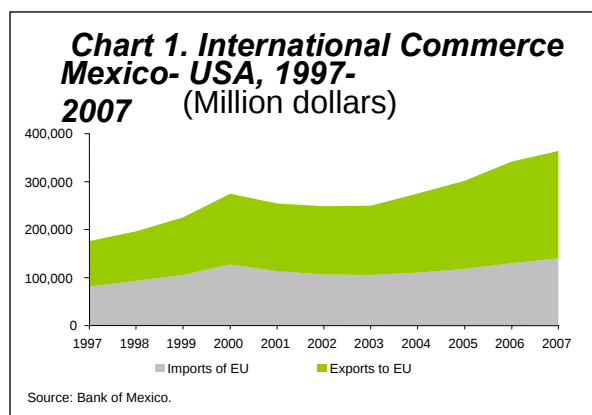
Refer to Flow Reports on Foreign Direct Investment in Mexico, at:
<http://www.si-rnie.economia.gob.mx/cgi-bin/repie.sh/reportes/selperiodo>

4. Investment Environment

Worldwide, Mexico is highly ranked in several areas:¹

- Mexico is the world's 12th largest economy, measured by the value of its GDP (2007);
- Mexico is the 15th most important country in the world in terms of its international trade in goods;²
- Mexico is the 17th most important economy in terms of its proven oil reserves, and the 35th largest economy in terms of proven natural gas reserves;³
- Mexico is the world's 8th most important tourist destination, welcoming 21.3 million tourists (2006).⁴
- Mexico is the third recipient of Foreign Direct Investment flows, among developing economies of the world.⁵

Mexico is located in a privileged geographical position, being able to supply the North American market "just in time", having as well preferential access to potential world inputs and to the "state of the art" technologies.



Trade between Mexico and the US has increased significantly between 1997 and 2007; the value of merchandise and services traded went from \$176.37 billion dollars (USD) to \$363.97 billion dollars (USD). That is, the total value of bilateral

¹ Consistently with international practices, we used values expressed in purchasing power dollars to do international comparisons of GDP and per capita GDP. Source: World Economic Outlook, IMF.

² Source: International Trade Statistics 2007, World Trade Organization (WTO).

³ Proved Reserves are defined as the volume of hydrocarbons measured at weather conditions that can be economically produced with the primary and secondary methods and systems of exploitation applicable at the moment of assessment. Source: PEMEX, Statistics Yearbook 2007.

⁴ Source: World Tourism Organization, preliminary numbers as of 2006.

⁵ UNCTAD. Foreign Direct Investment on-line statistics.

trade increased, in average, in 7.5 percent a year; this behavior is due to a yearly average increase of 9.0 percent in Mexican exports and 5.5 percent in imports. On a global scale, the US is Mexico's most important goods and services buyer—between 1997 and 2007, close to 11 percent of total goods and services imports carried out by the US came from Mexico, its third largest commercial partner, after Canada and China (Table 1).

Table 1. Main Trading Partners of the US, 1997-2007 ^{a/} (Origin of US's Imports %)						
Year	Canada	China	Mexico	Japan	Germany	United Kingdom
1997	19.3	7.2	9.9	13.9	4.9	3.8
1998	19.1	7.8	10.4	13.3	5.5	3.8
1999	19.4	8.0	10.7	12.8	5.4	3.8
2000	18.8	8.2	11.2	12.0	4.8	3.6
2001	19.0	9.0	11.5	11.1	5.2	3.6
2002	18.1	10.8	11.6	10.4	5.4	3.5
2003	17.8	12.1	11.0	9.4	5.4	3.4
2004	17.4	13.4	10.6	8.8	5.3	3.2
2005	17.2	14.6	10.2	8.3	5.1	3.1
2006	16.4	15.5	10.7	8.0	4.8	2.9
2007	16.0	16.5	10.8	7.4	4.8	2.9

^{a/} Include the total imports of goods and services under the classification SITC.

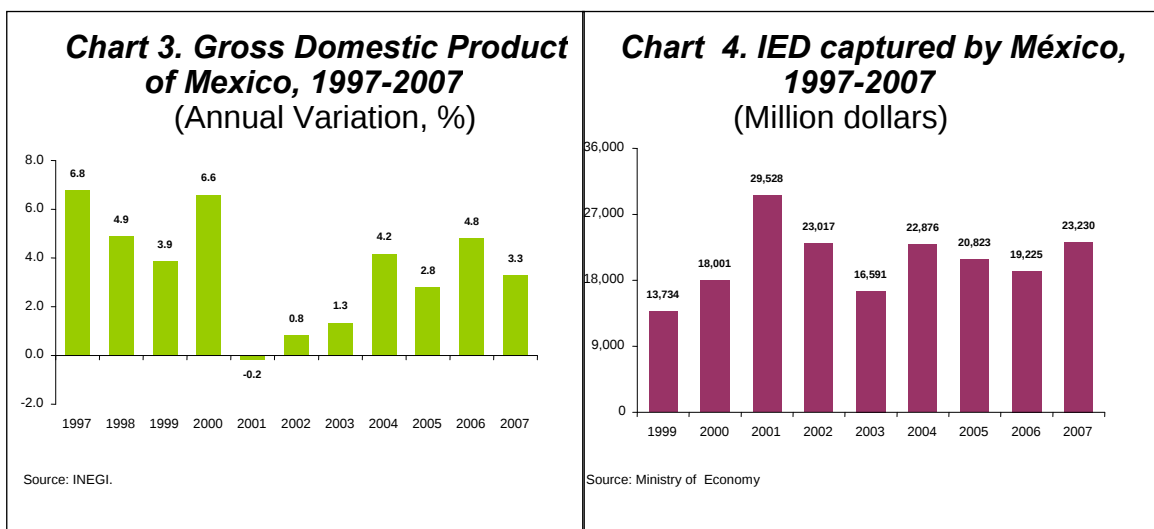
Source: US International Trade Commission.

Hispanics in the US represent the largest minority and are a significant opportunity for Mexico in terms of potential Mexican brand, product, and service introduction; it is estimated that two out of three Hispanic inhabitants in the US are Mexican; the number of people with Mexican origins in the US is over 28 million, half of which belong to the age group ranging between 15 and 34. This constitutes an important potential market in terms both of consumption and employment.

Mexico has enjoyed macroeconomic stability in the latest years, thanks to the fiscal and monetary appropriate policy. It arose in the last decade like the best destination in Latin America for the placement of foreign capitals with the most favorable atmosphere of business. It is the fourth recipient of foreign direct investment between the emergent economies and second in Latin America.

Its sound economic stability has attracted foreign direct investment of more than 30 thousand companies that currently are doing business in the country.

Because of its economic stability, Mexico is a good place for doing profitable business. During the last decade, Mexico has fostered public policies that have consolidated its macroeconomic stability: in 2007, the GDP grew at an annual rate of 3.3 percent, while the inflation rate stayed convergent to the range forecasted by the Central Bank (*Banco de México*), that is, 3.76 percent, the lowest rate in Latin America's most important economies and below the US and Spain rates (4.1 percent and 4.2 percent, respectively). Growth estimates for Mexico's GDP in 2008 are below 2.8 percent due mainly to an adverse external environment. However, the timely implementation of counter cyclical economic measures allows anticipating a higher economic growth as of 2009.

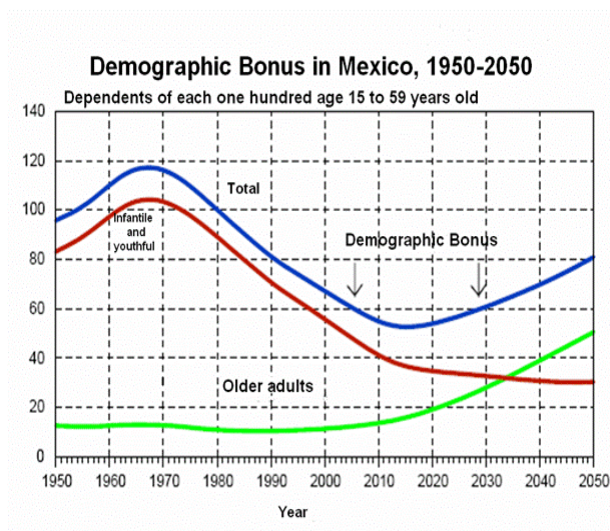


Furthermore, the National Fund for Infrastructure, which is expected to trigger investments in infrastructure for amounts over \$25 million dollars (USD) between 2008 and 2012, and the Program for Economic Support, aim to provide a backup to the country's productive activity through measures that promote economic activity, investment, and employment.

Financial authorities have handled public finances correctly, and in 2007 there was a primary surplus equal to 2.4 percent of the GDP, and the Federal Government's budget remained balanced. This scenario has allowed Mexico to attract and retain more productive investments: in 2007, Mexico earned \$23.2 million dollars (USD) of Foreign Direct Investment (FDI) that is, 20.8 percent more than the amount it earned in 2006, and equal to 5.2 times the deficit in Mexico's current account, which is proof of the country's macroeconomic robustness.

Because of its demographic bonus Mexico has the creative talent. The demographic boom is for Mexico an unequaled opportunity: during the next thirty years (2030), the ratio of economically dependent population will reach a historic

minimum estimated at 46.1 percent for 2025, because the number of individuals younger than 15 years of age will decrease as the ratio of the group of inhabitants in productive age, which will reach a historic maximum.



It is estimated that in the next thirty years, the number of individuals in working age in Mexico will reach 88 million, and the economically active population will increase to 69 millions. This demographic dynamics is an opportunity to avail the growth potential in economic terms and development of human resources abilities, since an increase in consumption and investment possibilities is foreseen. This is fundamental if we consider that human resources are the most important source of wealth and competitiveness in companies, and that a country's productivity is directly related to its population's learning ability.

Because of its biodiversity Mexico is vast as is its nature. Mexico occupies the fourth place among the twelve countries in the world with mega diversity: Mexico is the habitat for 10 percent of animal and plant species on our planet. Mexico has promoted support programs that contribute to sustainable economic development.

Also, Mexico has ratified international conventions and agreements in environmental matters, like the United Nations Framework Convention on Climate Change, the United Nations Convention to Combat Desertification, the Kyoto Protocol, the Convention on International Trade in Endangered Species of Wild Fauna and Flora, among others. Also the current government has set ambitious environmental goals, such as increasing in 24 percentile points waste water treatment, to go from 36 percent in 2006 to 60 percent in 2012; and to promote programs regarding renewable and alternative energy for methane recovery and carbon capture.⁶

⁶ Source: Ministry of Environment and Natural Resources (SEMARNAT).

Mexico is dynamic due to the consolidation of several production sectors. For the 2007-2012 National Infrastructure Program, it is crucial to establish conditions that allow Mexico to be part of the technological leadership in order to receive more foreign investment due to the several sectors participating in its development.

Some of the more dynamic sectors which products have been successfully introduced in different international markets are:

Automobiles. In 2007, Mexico ranked as the world's eleventh largest automobile manufacturer. In the commercial vehicle sector, Mexico ranks sixth globally, with a production of 900,000 vehicles in 2007.⁷

The automobile industry is a very important source of employment: it generates close to 520,000 direct jobs and one million indirect jobs, and it is the second sector that generates exports, right behind the electric and electronics sector.

The US is the world's largest vehicle and auto part consumer; in 2007, Mexico exported vehicles and auto parts with a value of \$41.9 million dollars (USD), and these products have seen an average growth rate of 11 percent in the last four years.⁸ These dynamics makes Mexico a strategic center not only for manufacturing, but for distribution for those countries that are interested in accessing the American market.

It is estimated that one out of every eight vehicles sold in the US in 2007 was manufactured in Mexico. In 2007, national production experienced a record of 2,022,241 vehicles, while exports of automobiles manufactured in Mexico reached 1,613,313 automobiles, representing a 5 percent increase compared to units exported in 2006.⁹

Electric and electronics. In Mexico, the electronics industry is one of the pillars of the manufacturing industry; its main sectors are consumption electronics, personal computers, and telecommunications equipment.

In 2007, exports in the electric and electronics industry exports reached \$72 million dollars, that is, the country's main source of exports for the manufacturing industry.¹⁰

The electronics sector in Mexico is constituted by 700 companies that, in 2006, employed 315,000 individuals; it contributes to close to 4.5 percent of the industrial

⁷ Source: International Organization of Motor Vehicle Manufacturers (OICA, as per its acronym in French).

⁸ Source: National Institute of Statistics, Geography, and Information Technology (INEGI, as per its acronym in Spanish).

⁹ Source: AMIA.

¹⁰ It is estimated that on 2006, one of each four TVs sold in the US was manufactured in Mexico (Source: INEGI and Ministry of Economy with data from the US Commerce Department).

GDP and over 27 percent of exports in the manufacturing sector, and represents a participation of 8 percent in employment in industrial manufacturing.

In the telecommunication services industry, Mexico has an important telephony sector, which contributes with 95 percent of income for the industry, 92 percent of fixed assets, and 71 percent of occupied employees. In 2007, Mexico exported 82 million mobile phones.

Information technology (IT). Mexico has 2,095 IT companies that have contributed to the growth of this industry and have achieved annual expansion rates of 9 percent. In 2007, the IT industry generated income with a value of \$1.8 billion dollars (USD). An area that has experienced an outstanding evolution is the business process outsourcing (BPO) area, where income grew from \$700 million dollars (USD) to \$1.7 billion dollars (USD) between 2001 and 2005.¹¹

Recently, the Ministry of Economy launched the **Program for the Development of the Software Industry** (PROSOFT, as per its acronym in Spanish), which intends to elevate the level of expenses in Mexico through information and communication technologies (ICT). It is estimated that there are over 500,000 IT professionals in Mexico, and every year over 65,000 new IT professionals join the work market. Furthermore, in Mexico, new generation wireless technologies, such as Wimax and 3G, register an important growth rate.

Aeronautics and Aero spatial. In Mexico, there are 150 companies that belong to the aero spatial industry, that employ over 16,000 individuals and want to profit on the opportunities that Mexico provides to manufacturing parts as engine components, landing gear parts, audio and video systems, harnesses and cables, to name a few; steel, iron, and aluminum machining. Mexico exports over \$600 million dollars in aircraft parts.

Mexico has an Agreement with the European Aeronautics Agency to manufacture aeronautical parts that are exported directly to Europe. Also, the Mexican government signed a Bilateral Agreement for Air Safety with the US, to certify aero spatial parts and components.¹²

The aero spatial industry has qualified human resources because every year close to 65,000 engineers graduate from university. Also, Mexican companies have international certifications that are part of the requirements to participate in this industry.

Tourism. The World Tourism Organization ranks Mexico as the eighth most important destination in the world, receiving 21.4 million tourists every year. In

¹¹ Source: AT Kearney and Mexico IT.

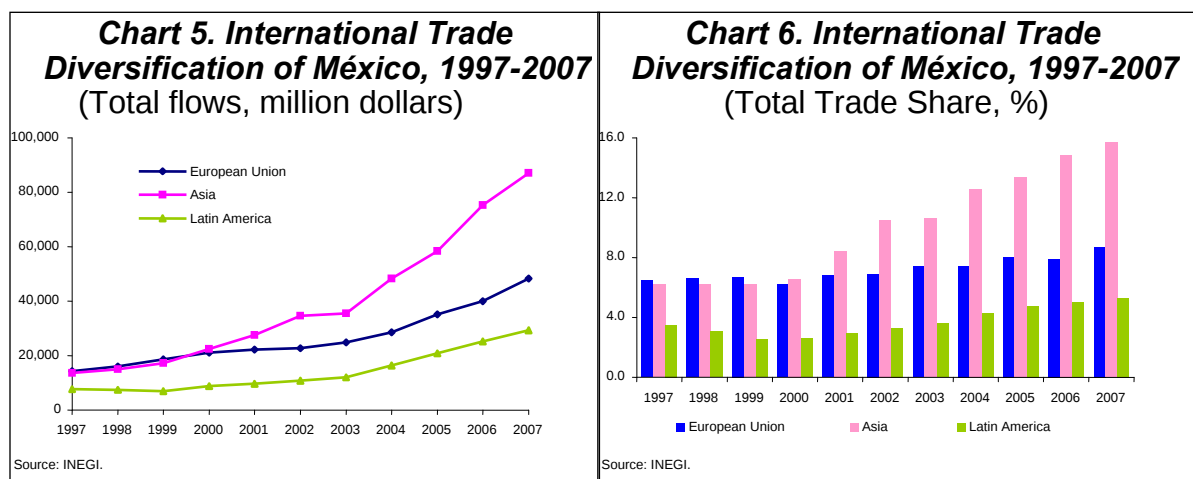
¹² These certificates are issued by the General Civil Aeronautics Direction of the Communication and Transportation Ministry.

2007, foreign tourists spent close to \$12.9 billion dollars, that is, 6 percent more than what they spent in 2006.

Mexico has a cultural, historical, and natural wealth that is among the most important in the world; it has 173 archaeological sites that are open to the public and 55,000 monuments that are considered to have historic value. Mexico is the first Latin American country in number of sites declared World Heritage by UNESCO.

Because of its business relationship with the world, Mexico, at the same time, is beneficiary when having an extensive net of Free Trade Agreements, which assure preferential access to the markets of North America, the European Union, the countries of the Free Trade European Association, Israel, the countries partners of Latin America and Japan. This preferential access together with its young and qualified labor force, makes Mexico an attractive destination for investment.

Mexico is the world's second country with more free trade agreements. It has 234 bilateral and 122 multilateral agreements, and it is the only country that covers two of the world's leading markets: North America and the European Union. Overall, Mexico covers 44 countries with its network of agreements, so it has been able to significantly increase its business participation in the world in the last 15 years.



Between 1997 and 2007, value of trade between Mexico and countries that are part of the European Union grew at an average annual rate of 13 percent, while the value of commercial flow with Asian economies increased in 20.3 percent in average, and with Latin American business partners the value of goods and services traded grew at an average annual rate of 14.3 percent.¹³

¹³ Source: INEGI.

Mexico also grants legal security and protection to foreign investors through the Bilateral Investment Treaties that our country has signed with 24 countries.

Mexico offers an attractive risk-return combination:

Low risk:

- Guaranteed market access
- Legal security and transparent rules
- Macroeconomic stability
- Political stability and transparency

High return on investment:

- Growing domestic market
- Access to high-quality inputs at competitive prices
- Optimum services and low costs
- Large network of Free Trade Agreements

5. Free Trade Agreements signed by Mexico

Responsible authority: Ministry of Economy.

www.economia.gob.mx

Treaty	Country	Issued in the Federal Official Gazette (DOF)	In force since
TLCAN	United States and Canada	December 20, 1993	January 1, 1994
TLC-G3	Colombia and Venezuela	January 9, 1995	January 1, 1995, since November 19, 2006 Venezuela does not participate.
TLC Mexico - Costa Rica	Costa Rica	January 10, 1995	January 1, 1995
TLC Mexico - Bolivia	Bolivia	January 11, 1995	January 1, 1995
TLC Mexico - Nicaragua	Nicaragua	July 1, 1998	July 1, 1998
TLC Mexico - Chile	Chile	July 28, 1999	August 1, 1999
TLCUEM	European Union	June 26, 2000	July 1, 2000
TLC Mexico - Israel	Israel	June 28, 2000	July 1, 2000
TLC Mexico - TN	El Salvador, Guatemala and Honduras	March 14, 2001	March 15, 2001 with El Salvador and Guatemala; June 1, 2001 with Honduras.
TLC Mexico - AELC	Iceland, Norway, Liechtenstein and Switzerland	June 29, 2001	July 1, 2001
TLC Mexico - Uruguay	Uruguay	July 14, 2004	July 15, 2004
AAE México - Japan	Japan	March 31, 2005	April 1, 2005

Investment Chapters in Free Trade Agreements

TLC con capítulos de inversión...

País o región	Firmado
TLCAN	17/12/92
Colombia ¹	13/06/94
Bolivia	10/09/94
Costa Rica	05/4/94
Chile	17/04/98
Nicaragua	18/12/97
Triangulo del Norte	29/06/00
UE	23/03/00
EFTA	27/11/00
Uruguay	15/11/03
Japón	17/09/04

¹/ antiguamente G3, pero en Mayo 22, 2006, Venezuela denunció este Acuerdo. Teniendo efectos a partir de 18 de Noviembre, 2006.

6. Bilateral Investment Treaties (BITs) signed by Mexico

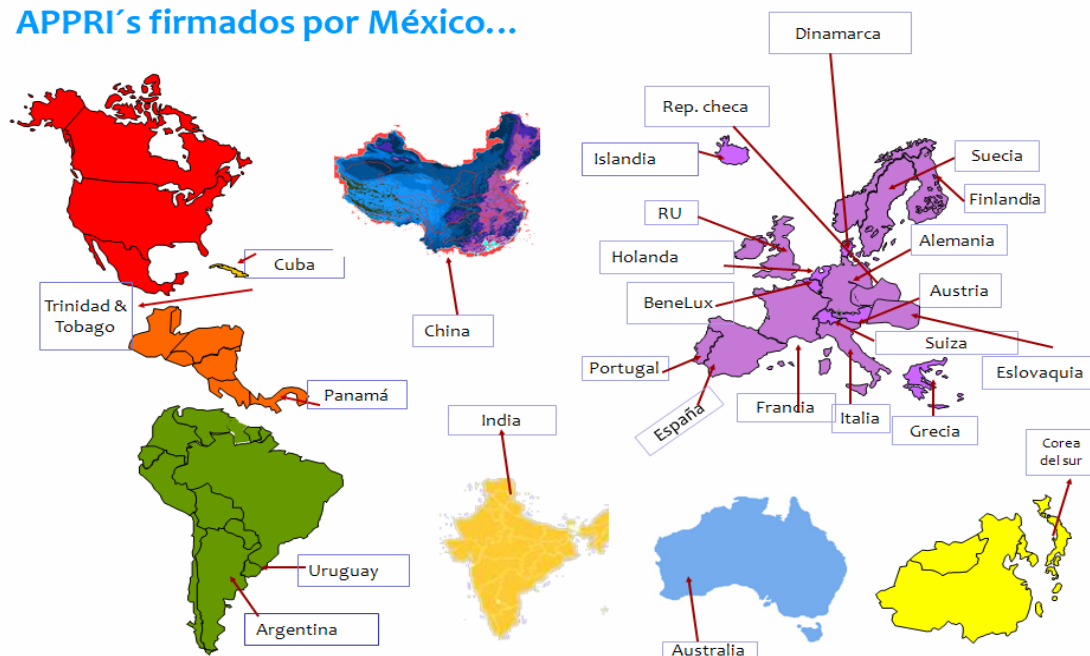
Responsible authority: Ministry of Economy.

www.economia.gob.mx or <http://www.economia.gob.mx/?P=1210>

BITs are international agreements with regard to foreign direct investment (FDI) which, on reciprocity bases, are designed to promote and legally protect the flow of capital for the productive sector. These instruments are acknowledged as a confidence generator element for foreign investors since they help to create an appropriate investment climate. They also encourage productive investment while they promote the economy development in Mexico.

BITs signed by Mexico

APPRI's firmados por México...



Country	Flag	Signed on	Issued in the Federal Official Gazette (DOF)	In force since
1. Spain		June 22, 1995 October 10, 2006*	March 19, 1997 March 19, 2008*	December 18, 1996 April 4, 2008*
2. Switzerland		July 10, 1995	August 20, 1998	March 11, 1996
3. Argentina		November 13, 1996	August 28, 1998	July 22, 1998
4. Netherlands		May 13, 1998	July 10, 2000	October 1, 1999
5. France		November 12, 1998	November 30, 2000	October 11, 2000
6. Finland		February 22, 1999	November 30, 2000	August 21, 2000
7. Denmark		April 13, 2000	November 30, 2000	September 23, 2000
8. Portugal		November 11, 1999	January 8, 2001	September 4, 2000
9. Germany		August 25, 1998	March 20, 2001	February 23, 2001
10. Austria		June 29, 1998	March 23, 2001	March 26, 2001

11. Sweden		October 3, 2000	July 27, 2001	July 1, 2001
12. Cuba		May 30, 2001	May 3, 2002	March 29, 2002
13. Corea		November 14, 2000	August 9, 2002	June 28, 2002
14. Uruguay		June 30, 1999	August 9, 2002	July 1, 2002
15. Grece		November 30, 2000	October 11, 2002	September 17, 2002
16. Italy		November 24, 1999	January 17, 2003	December 4, 2002
17. Belg-Lux Union		August 27, 1998	March 19, 2003	March 20, 2003
18. Czech Republic		April 4, 2002	March 25, 2004	March 14, 2004
19. Iceland		June 24, 2005	June 6, 2006	April 28, 2006
20. Panama		October 11, 2005	December 19, 2006	December 14, 2006
21. Australia		August 23, 2005	June 12, 2007	July 18, 2007
22. United Kingdom		May 12, 2006	July 25, 2007	July 25, 2007
23. Trinidad and Tobago		October 3, 2006	September 12, 2007	September 16, 2007
24. India		May 21, 2007	March 5, 2008	February 23, 2008

* Respective dates when the Agreement was put into effect.

PENDING AGREEMENTS

1. Eslovaquia		October, 26, 2007	Pending	Pending
2. China		July 11, 2008	Pending	Pending

OTHER AGREEMENTS

1. OPIC Agreement		June 9, 2003	June 14, 2004	June 14, 2004
2. MIGA [√]		October 23, 2007	Pending	Pending

◇ Investment Promotion Agreement between the United Mexican States and the United States of America.

√ Multilateral Investment Guarantee Agency

7. Agreements to avoid double taxation signed by Mexico

Responsible authority: Ministry of Treasury.

www.shcp.gob.mx

The purposes of the agreements to avoid double taxation are: to standardize tax concepts of the fiscal jurisdictions from the countries that participate in the negotiation; to promote the exchange of fiscal information, allowing the contracting parties to follow the fiscal laws effectively and to combat with better effectiveness acts of evasion and avoidance. Likewise, the agreements provide for the elimination of double taxation by taxpayers. Both countries shall accredit foreign obligations and taxpayers shall calculate the tax according to the country where they reside, and shall accept that there are maximum retention rates in the country where the source of wealth from dividends, interests and profits is located.

The Ministry of Treasury is responsible for the negotiations of this kind of agreements. Currently Mexico has agreements to avoid the double tribute with:

Country	Issued in the Federal Official Gazette (DOF)	In force since
1. Germany	MARCH 16, 1994	DECEMBER 30, 1993
2. Argentina	MARCH 19, 2004	JANUARY 15, 2004
3. Australia	FEBRUARY 13, 2004	DECEMBER 31, 2003
4. Austria	DECEMBER 8, 2004	JANUARY 1, 2005
5. Belgium	JANUARY 6, 1997	JANUARY 1, 1997
6. Brazil	JUANUARY 1, 2007	NOVEMBER 29, 2006
7. Canada	JUNE 20, 2007	APRIL 12, 2007
8. Corea	MARCH 16, 1995	FEBRUARY 13, 1995
9. Chile	MAY 12, 2000	NOVEMBER 12, 1999
10. China	FEBRUARY 28, 2006	MARCH 1, 2006
11. Denmark	MAY 27, 1998	DECEMBER 22, 1997
12. Ecuador	APRIL 4, 2001	DECEMBER 13, 2000
13. Spain	DECEMBER 31, 1994	OCTOBER 6, 1994
14. United States	FEBRUARY 3, 1994	DECEMBER 28, 1993
15. Finland	AUGUST 11, 1999	JULY 14, 1998
16. France	MARCH 16, 1993	DECEMBER 31, 1992
17. Greece	DECEMBER 31, 2005	DECEMBER 7, 2005
18. Indonesia	DECEMBER 8, 2004	OCTOBER 28, 2004
19. Ireland	AUGUST 09, 2000	DECEMBER 31, 1998
20. Israel	AUGUST 11, 2000	MAY 09, 2000
21. Italy	MARCH 29, 1995	MARCH 10, 1995
22. Japan	JANUARY 06, 1997	NOVEMBER 06, 1996
23. Luxembourg	FEBRAURY 06, 2002	DECEMBER 27, 2001
24. Norway	AUGUST 26, 1996	JANUARY 23, 1996
25. New Zeland	JUNE 15, 2007	JUNE 16, 2007
26. Netherlands	DECEMBER 31, 1994	OCTOBER 13, 1994
27. Poland	OCTOBER 18, 2002	AUGUST 28, 2002
28. Portugal	APRIL 03, 2001	JANUARY 09, 2001

29. United Kingdom	MARCH 15, 1995	DECEMBER 15, 1994
30. Czech Republic	JANUARY 28, 2003	DECEMBER 27, 2002
31. Slovak Republic	SEPTEMBER 28, 2007	SEPTEMBER 28, 2007
32. Romania	DECEMBER 12, 2001	AUGUST 15, 2001
33. Russia	MAY 20, 2008	APRIL 02, 2008
34. Singapore	AUGUST 23, 1996	SEPTEMBER 14, 1995
35. Sweden	FEBRUARY 10, 1993	DECEMBER 18, 1992
36. Switzerland	OCOTBER 24, 1994	SEPTEMBER 08, 1994

Mexico is currently negotiating this kind of Agreements with:	
• Antillas Neerlandesas	• Malaysia
• Araba	• Nicaragua
• Bermuda	• Panama
• Hungary	• South Africa
• India	• Thailand
• Iceland	• Ukraine
• Letonia	• Venezuela
• Lebanon	

Refer to: <http://www.sat.gob.mx/nuevo.html> and http://www.sat.gob.mx/sitio_internet/informacion_fiscal/legislacion/52_3558.html

II. OPENING NEW BUSINESSES IN MEXICO

1. Business Visas

Responsible authority: National Immigration Institute. Ministry of the Interior.

www.inami.gob.mx

A visa is required by foreign citizens who enter into Mexico with the purpose of looking for investment options, making an investment or supervising it, representing foreign companies or doing commercial transactions. The General Law on Population (LGP) and its By-laws (RLGP) regulate this matter in Mexico.

The proceedings shall be carried out before the National Immigration Institute. The petitioner will receive a reply within the legal term (35 calendar days).

The interested person shall comply with the following requirements:

General requirements:

1. The foreign citizen or his legal representative shall complete the “Immigration Procedure Request” form and meet the requirements for each case. All documents shall be filed in original and in copy.
2. Foreign passport in full force and effect, filed in a copy and the original to be reviewed by the immigration authorities.
3. In case the party carries out the process through a proxy or a legal representative, they shall prove their capacity through a power of attorney granted by the foreign national and a copy of the ID document containing the photograph and signature of the proxy or legal representative, as the case may be.

Specific Requirements:

a. Visa for Visiting Business Persons

Article 42, Section III of the (GLP) and Article 163, Section I of the Regulations to the General Law on Population (RGLP)

1. Invitation letter in letterhead, written in or translated into Spanish, from the relevant trade or industry chamber, business association, public or private organization, or from an industrial or business company or a financial institution, stating the purpose of the visit and that the foreign citizen has sufficient financial back up so as to cover his/her expenses in Mexico, and in any location within the country where he/she will develop his/her activities (company affiliates).

2. Prove financial solvency with a bank letter evidencing that every month during one year, he/she will have available an amount equal to 500 days of the minimum wage in effect in the Federal District, or a financial solvency letter of his/her principal company for the term of his/her stay in Mexico.

3. If the applicant is a legal entity or an individual with business activities, he/she shall submit:

- The company's articles of incorporation.
- Certificate issued by a notary public attesting the denomination, social purpose and domicile of the company.
- Last tax return filed (e-receipt of the last tax return filed).
- Certificate of the National Foreign Investment Registry.
- Registration in the corresponding chamber, association or organization.
- These requirements are not applicable to a government entity or agency or to a public higher education institution.
- In the event that the individual with business activities is a foreign national, he/she must submit an immigration document in effect.

b. Visa for the Visiting Investor

Article 42, Section III of the GLP and Article 163, Section I of the RGLP

1. Certificate of the National Foreign Investment Registry or the documentation proving the minimum investment corresponding to 26,000 of daily minimum wages applicable in the Federal District.

2. When the investment consists in real estate acquisition, file the public deed containing the purchase of the property or the trust agreements where by beneficial rights are acquired, for a minimum amount equal to 40,000 daily minimum wages applicable in the Federal District.

c. Visa for visiting Commercial Representatives

Article 42, Section III of the GLP and Article 163, Section I of the RGLP

1. Letter addressed to the National Immigration Institute written in Spanish and signed by the foreign company appointing the applicant or a copy of the agreement(s) binding the foreign party with the Mexican party or with the foreign legal entity registered in Mexico, as well as the places in Mexico where it will perform its activities (company affiliates).

2. Prove financial solvency with a bank letter evidencing that every month during one year, he/she will have available an amount equal to 500 days of the minimum

wage in effect in the Federal District, or a financial solvency letter of his/her principal company for the term of his/her stay in Mexico.

3. If the applicant is a legal entity or an individual with business activities, he/she shall submit:

- The company's articles of incorporation.
- Certificate issued by a notary public attesting the denomination, social purpose and domicile of the company.
- Last tax return filed (e-receipt of the last tax return filed).
- If applicable, certificate of the National Foreign Investment Registry.
- Registration from the chamber, association or corresponding organization.
- These requirements are not applicable to a government entity or agency or to a public higher education institution.
- In the event that the individual with business activities is a foreign national, he/she must submit an immigration document in effect.

d. Visa for Visitors who will perform commercial transactions

Article 42, Section III of the GLP and Article 163, Section I of the RGLP

1. Purchase agreement for an amount equal to 26,000 daily minimum wages in the Federal District.

2. Prove financial solvency with a bank letter evidencing that every month during one year, he/she will have available an amount equal to 500 days of the minimum wage in effect in the Federal District, or a financial solvency letter of his/her principal company for the term of his/her stay in Mexico.

3. If the applicant is a legal entity or an individual with business activities, he/she shall submit:

- The company's articles of incorporation.
- Certificate issued by a notary public attesting the denomination, social purpose and domicile of the company.
- Last tax return filed (e-receipt of the last tax return filed).
- Certificate of the National Foreign Investment Registry.
- Registration from the chamber, association or corresponding organization.
- These requirements are not applicable to a government entity or agency or to a public higher education institution.
- In the event that the individual with business activities is a foreign national, he/she must submit an immigration document in effect (copy).

See: Immigration Procedures Manual, National Immigration Institute:

<http://www.gobernacion.gob.mx/archnov/MANUALm.pdf>

http://www.inami.gob.mx/index.php?page/Visitar_Mexico_Persona_Negocios

General Law on Population (GLP):
<http://www.diputados.gob.mx/LeyesBiblio/pdf/140.pdf>

Regulations to the General Law on Population, see:

http://www.gobernacion.gob.mx/compilacion_juridica/webpub/Reg23.pdf

2. Foreign Investment Law (FIL)

Responsible authority: Foreign Investment Office. Ministry of Economy.

www.economia.gob.mx

a. Foreign investment and foreign investor definition

Foreign Investment is:

- Participation by foreign investors in any percentage in the capital stock of Mexican companies;
- Investments by Mexican companies in which foreign capital has majority interest; and
- Participation by foreign investors in activities and acts contemplated by the Foreign Investment Law (FIL).

A foreign investor is:

- An individual or entity of any nationality other than Mexican, and the foreign entities with no legal standing.
- The Foreign Investment Law provides that foreign investment may participate in any proportion in the capital stock 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 premises, except as otherwise specifically provided in the law.

b. Activities reserved for the Mexican State

The activities determined by law in the following strategic areas are reserved for the Mexican State:

Article 5 of the FIL

Oil and other hydrocarbons

Radiotelegraphy

Basic petrochemicals

Postal Service

Electricity

Bank Notes Issuance

Nuclear energy generation

Minting of coins

Radioactive minerals

Control, supervision and surveillance of
ports, airports and heliports

Telegraphs

c. Activities reserved for Mexican Nationals

The following economic activities and companies are exclusively reserved for Mexicans or Mexican companies, with a foreigners' exclusion clause:

Article 6 of the FIL

Domestic land transportation for passengers, tourism and freight, not including messenger or courier services	Credit unions
Retail sale of gasoline and distribution of liquefied petroleum gas	Development banking institutions as provided by the applicable law
Radio and television broadcasting services, other than cable television	Professional and technical services specifically provided for under the applicable laws.

d. Activities subject to specific regulations

In the following economic activities and companies, foreign investment may participate in the following percentages:

Article 7 of the FIL

I.- Up to 10% in:

Cooperative companies for production;

II.- Up to 25% in:

1. Domestic air transportation
2. Aero taxi transportation
3. Specialized air transportation

III.- Up to 49% in:

1. Insurance companies
2. Bonding companies
3. Currency exchange houses
4. Bonded warehouses
5. Companies referred to in article 12b of the Mexican Securities Market Law
6. Retirement Funds Administrators
7. Manufacture and marketing of explosives, firearms, cartridges, ammunition and fireworks, not including acquisition and use of explosives for industrial and extracting activities nor the preparation of explosive blends for use in such activities
8. Printing and publication of newspapers for circulation solely throughout Mexico
9. "T" class shares of companies owning agricultural, livestock and forest lands
10. Fishing in freshwater, coast and exclusive economic zone, excluding aquaculture
11. Integral port management
12. Port pilot services for vessels in order to perform coastal navigation pursuant to the applicable laws
13. Shipping companies engaged in the commercial exploitation of vessels for coastal shipping or coastal trade, except for tourist cruise ships and the exploitation of drills and naval devices for the construction, conservation and operation of ports
14. Oil and lubricant supply for ships, aircraft and railroad
15. Telecommunications Concessionaire companies as provided by articles 11 and 12 of the Federal Telecommunications Law.

Foreign investment may participate in a percentage higher than 49 percent in the economic activities and companies referred to hereafter after approval by the National Foreign Investment Commission.:

Article 8 of the FIL

1. Port services to vessels for inland navigation operation, such as towing, mooring and barging.	7. Securities rating institutions
2. Shipping companies exclusively engaged in the exploitation of high sea traffic.	8. Insurance agents
3. Companies with a concession or permit for public service aerodromes.	9. Mobile telephony
4. Private education services of pre-school, elementary, middle school, high school, college or any combination.	10. Construction of pipelines for the transportation of oil and its by products
5. Legal Services	11. Drilling of oil and gas wells
6. Credit Information companies	12. Construction, operation and exploitation of railroads that are a general means of communication and the public railroad services

A favorable resolution from the Commission is required for foreign investment to participate, directly or indirectly, in a percentage higher than 49% of the capital stock of Mexican companies when the aggregate value of the assets of such companies at the date of acquisition exceeds the amount determined annually by such Commission.

e. Acquisition of real estate

The foreign individuals and entities intending to acquire real estate outside of the restricted zone or to obtain concessions for the exploration and development of mines and waters anywhere within Mexico, shall previously submit before the Ministry of Foreign Affairs, a statement agreeing to the terms of Section I of Article 27 of the Political Constitution of the United Mexican States and obtain the corresponding permit from that Ministry.

f. Neutral Investment

Neutral investment is a mechanism that allows foreigners to hold larger shares of the equity of Mexican companies. This equity shall not be computed to determine the percentage of foreign investment in the capital stock of Mexican companies.

The Ministry may authorize trustee institutions to issue neutral investment instruments which shall solely grant pecuniary rights to their holders and, if applicable, limited corporate rights, but without granting their holders voting rights in Regular Shareholders' Meetings.

The Ministry may authorize companies to issue non-voting shares or shares with limited corporate rights, which is considered neutral investment.

The National Foreign Investment Commission shall resolve upon the neutral investment that International Financial Development Institutions intend to perform in the capital stock of Mexican companies.

g. Investment by foreign legal entities

Foreign legal entities who intend to perform business activities in Mexico shall obtain authorization from the Ministry of Economy.

Foreign entities that intend to set up in Mexico, even if not governed by corporate laws by the Federal Civil Code, shall obtain authorization from the Ministry of Economy.

This authorization will be granted within two weeks prior accomplishment of the following requirements:

- a) Foreign entities shall prove that their companies have been incorporated pursuant to their countries laws;
- b) Their social contract and other constituent documents shall not be contrary to the Mexican laws, and
- c) For foreign legal entities that are established in Mexico or have settled an agency or branch in the country; or for foreign entities that have a representative with residence in the seat of operation, authorized to comply with the relevant obligations assumed.

h. National Foreign Investment Registry

Article 32 of the FIL

The following shall register before the National Foreign Investment Registry:

- Mexican companies that hold, even through a trust, in foreign investment, neutral investment or Mexicans who have or acquire another nationality and who reside outside the Mexican territory.
- Foreign individuals and entities or Mexicans who have or acquire another nationality and who reside outside the Mexican territory, and who usually perform business activities in Mexico.
- Share or membership interest trusts, real estate and neutral investment trusts by virtue of which entitlements are created in favor of the foreign investment or of Mexicans who have or acquire another nationality and who reside outside the Mexican territory.

Registration shall take place within 40 business days as of the date of incorporation of the company or the foreign investment participation; of formalization or protocolization of the respective documents of the foreign society; or of incorporation of the respective trust or granting of trustee's rights in favor of the foreign investment.

Persons obliged to obtain a registration, shall renew it annually; for such procedure it will be enough to submit an economic-financial questionnaire.

Refer to the Information System of the National Foreign Investment Registry:

<http://www.si-rnie.economia.gob.mx/home.htm>

<http://www.economia.gob.mx/?P=327>

Foreign Investment Law: <http://www.diputados.gob.mx/LeyesBiblio/pdf/44.pdf>

Regulations to the Foreign Investment Law and to the National Foreign Investment Registry: http://www.diputados.gob.mx/LeyesBiblio/regley/Reg_LInvExt.pdf

i. Foreign Investment Modalities

Foreign investment may:

- Hold equity in Mexican corporations or partnerships
- Acquire fixed assets
- Enter new fields of economic activity or manufacture new lines of products
- Open and operate establishments (branch offices, agencies)
- Expand or relocate existing establishments (joint ventures)

j. Classification of economic activities. Kinds of business corporations

The General Law of Mercantile Corporations (GLMC) acknowledges the following mercantile companies:

Article 1 of the GLMC

- General Partnership
- Limited Partnership
- Limited Liability Corporation
- Corporation
- Limited Liability Partnership
- Cooperatives

Any of these companies can be incorporated as a company with variable capital stock.

In corporations and limited liability corporations, the partners will respond only to the extent of their contributions. There are other mixed liability companies, such as limited partnerships and limited liability partnerships, where some members are liable without limitations for the company's obligations and others are only to the extent of their contributions.

Companies will be incorporated in the presence of a notary and the amendments to the by laws shall also be recorded. The notary public does not authorize the deed when the by laws or the amendments thereto contravene the provisions of the General Law of Mercantile Corporations.

The General Law of Mercantile Corporations acknowledges legal standing of foreign mercantile corporations that are duly incorporated.

Foreign companies can only carry out business in Mexico upon registration in the Public Registry of Commerce, which registration shall take place prior authorization of the Ministry of Economy pursuant to Articles 17 and 17^a of the Foreign Investment Law.

General Law of Mercantile Corporations:

<http://www.diputados.gob.mx/LeyesBiblio/pdf/144.pdf>

3. Procedures before the Ministry of Foreign Affairs (SRE)

Responsible authority: Legal Affairs Office. Ministry of Foreign Affairs.

<http://www.sre.gob.mx/tramites.htm>

a. Incorporation of companies

Article 15 of the FIL and 13 of the RFIL

An authorization of the Ministry of Foreign Affairs is required for the incorporation of companies. To that effect, the Ministry of Foreign Affairs, pursuant to the provisions of Article 13 of the aforementioned regulations, shall grant authorization for the incorporation of companies solely when the intended corporate name or denomination has not been reserved by another company. Likewise, if the requested corporate name or denomination includes words or terms specifically regulated by other laws, the Ministry of Foreign Affairs shall condition approvals to the obtainment of other authorizations required by such legal provisions.

Article 17 of the RFIL

Once an authorization has been obtained for the incorporation of a company, the applicant shall within ninety days after the Ministry of Foreign Affairs has granted such authorization, appear before a notary public and cause the formalization of the incorporation of the company. Should the aforementioned term lapse without the issuance of the relevant public instrument, the authorization shall become void. In this case, the re-issuance of the voided authorization shall be applied for.

Article 18 of the RFIL

Likewise, within the six months following the issuance of the authorization for incorporation of a company, the interested party must provide notice to the Ministry of Foreign Affairs. Such notice shall refer to the insertion within the relevant instrument of the foreigners exclusion clause or, if applicable, the agreement provided for in Article 14 of the RFIL (whereby the present or future foreign equity holders obligate themselves, before the Ministry of Foreign Affairs, to be considered as nationals with respect to the shares, equity participations or rights acquired from said companies; the assets, rights, concessions, participations or interests that said companies may hold, and the rights and obligations derived from the contracts to which said companies may be a party). The mentioned agreement or pact must include the waiver of invoking protection from their governments under penalty of otherwise losing the rights and assets they acquired, in favor of the Nation.

b. Amendment to By-laws of companies (Change of corporate name or denomination)

Article 16 of the FIL and 15 of the RFIL

The authorization of the Ministry of Foreign Affairs is required to change the corporate name or denomination of duly incorporated companies. To that effect,

the Ministry of Foreign Affairs, pursuant to the provisions of Article 13 of the aforementioned regulations, shall grant this authorization, provided that the corporate name or denomination intended to be used has not been reserved by a different company, and the will of the legal entity to conduct the requested amendment is proven.

c. Notice of amendment of the foreigners' exclusion clause to the admission clause

Article 16 of the FIL

Companies amending their foreigners' exclusion clause to the one of admission must notify such amendment to the Ministry of Foreign Affairs, within the 30 business days following said amendment. In case of failure to notify, the relevant company shall be subject to the corresponding penalties.

d. Notice of authorization, liquidation, merger or spin-off of companies

Article 18 of the RFIL

Notice of incorporation or amendment of corporate name or denomination must be given to the Ministry of Foreign Affairs within the six months following the issuance of the relevant authorization, and the notices of liquidation, merger or spin-off of the relevant company must be submitted before the Ministry of Foreign Affairs within the month following the date on which the relevant act took place. In case of failure to notify, the relevant company shall be subject to the corresponding penalties.

e. Authorization to incorporate a trust in the restricted area

Article 27, section I of the Political Constitution of the United Mexican States

Foreign nationals are impaired from acquiring direct ownership of land and waters located within a strip of one hundred kilometers along the borders, and fifty kilometers along the beaches, but they may use and enjoy real estate located within this restricted area through the incorporation of a trust that shall be governed by Title Two of the Foreign Investment Law.

Authorizations issued by the Ministry of Foreign Affairs for the incorporation of trusts serve the purpose of enabling the use and enjoyment of real estate located within the restricted area in favor of foreign nationals (individuals and entities), or Mexican companies that have an admission clause, provided the real estate is devoted to residential purposes, for a maximum term of 50 years. The trust agreement must be formalized through a public deed.

The authorization shall be granted to financial institutions (banks) so that they may be able to acquire as trustee the ownership of the real estate, and enable their use and enjoyment to foreign nationals.

f. Purchase of real estate by foreign individuals or entities outside the restricted area

Article 27, section I of the Political Constitution of the United Mexican States

Only Mexican nationals by birth or naturalization and Mexican companies, may acquire ownership of land and obtain a concession for the exploration and exploitation of mines and waters in national territory. The Government may grant foreign nationals the same rights, provided they submit before the Ministry of Foreign Affairs a statement agreeing to consider themselves as nationals and waiving their government's protection regarding such, with the penalty, in case of violation, of forfeiting the acquired goods for the benefit of Mexico.

In this regard, and in accordance with the General Agreement published on March 2, 1998, which entered into force the following day, nationals of those countries with whom Mexico maintains diplomatic relations may benefit from the provisions of the last paragraph of Article 10-A of the Foreign Investment Law. Thus, they shall only be bound to submit before the Ministry of Foreign Affairs an application whereby they agree with the provisions of section I of Article 27 of the Mexican Constitution in order to be able to purchase real estate outside of the restricted area.

Nationals of those countries with whom Mexico does not maintain diplomatic relations, and who intend to purchase real estate outside of the restricted area, must submit before the Ministry of Foreign Affairs an application whereby they agree with the provisions of section I of Article 27 of the Mexican Constitution for the purchase of real estate outside of the restricted area, and obtain the relevant authorization from such governmental agency, pursuant to the first paragraph of Article 10-A of the Foreign Investment Law.

g. Concessions for the exploration and exploitation of mines and waters in Mexican territory

Article 27, section I of the Political Constitution of the United Mexican States

Only Mexican nationals by birth or naturalization and Mexican companies may acquire ownership of land and obtain a concession for the exploration and exploitation of mines and waters in national territory. The Government may grant foreign nationals the same rights, provided they submit before the Ministry of Foreign Affairs a statement agreeing to consider themselves as nationals and waiving the protection of their governments regarding such, with the penalty, in

case of violation, of forfeiting the goods they have acquired for the benefit of Mexico.

In this regard, and in accordance with the General Agreement published on May 11, 1998, which entered into force the following day, nationals of those countries with whom Mexico maintains diplomatic relations may benefit from the provisions of the last paragraph of Article 10-A of the Foreign Investment Law. Thus, they shall only be bound to submit before the Ministry of Foreign Affairs an application whereby they agree with the provisions of section I of Article 27 of the Mexican Constitution in order to be able to benefit from concessions for the exploration and exploitation of mines and waters in Mexico.

Nationals of those countries with whom Mexico does not maintain diplomatic relations, and who intend to obtain concessions for the exploration and exploitation of mines and waters in Mexico, must submit to the Ministry of Foreign Affairs an application whereby they agree to the provisions of section I of Article 27 of the Mexican Constitution for the purchase of real estate outside of the restricted area, and obtain the relevant authorization from such governmental agency, pursuant to the first paragraph of Article 10-A of the Foreign Investment Law.

h. Response time and cost

PROCEDURE	RESPONSE TIME	COST
Authorization for the Incorporation of Companies.	Same day if the application is submitted before 11:00 AM	\$640.00 per submission, examination and resolution.
Authorization for an Amendment to the By-Laws of Companies (Change of Corporate Name or Denomination).	Same day if the application is submitted before 11:00 AM	\$570.00 per submission, examination and resolution.
Notice of Authorization for the Incorporation of Companies and of Amendments to their By-laws (Change of Corporate Name or Denomination, Amendment to the foreigner's exclusion clause for an admission clause; Merger or Spin-off of	+	- On-time \$235.00 - Extemporaneous \$1,280.00

Companies).		
Purchase of real estate by foreign nationals outside the restricted area referred to by the General Agreement published on March 2, 1998 in the Federal Official Gazette.	Two business days	• \$4,595.00 per submission, examination and issuance of certificate.
Purchase of real estate by foreign nationals outside the restricted area referred to by Article 10 A of the Foreign Investment Law.	Two business days	• \$260.00 per submission and examination; and • \$4,565.00 per issuance.
Obtainment of Concessions for the exploration and exploitation of mines and waters in Mexico referred to by the General Agreement published on May 11, 1998 in the Federal Official Gazette.	Two business days	• \$4,595.00 per submission, examination and issuance of certificate.
Obtainment of Concessions for the exploration and exploitation of mines and waters in Mexico referred to by Article 10 A of the Foreign Investment Law.	Two business days	• \$260.00 per reception and examination; and • \$4,595.00 per issuance.
Issuance of authorization for the incorporation of a trust in the restricted area.	Five business days	• \$260.00 per reception and examination; and • \$9,470.00 per issuance
Submission of each notice of purchase of real estate in the restricted area, which are destined to non-residential purposes, by Mexican companies that have a foreigner's admission clause.		• On-time \$645.00 • Extemporaneous \$4,955.00

Amounts of these procedures are expressed in Mexican Pesos, and are subject to the amendments to the Federal Law on Duties in force.

See the section on procedures and requirements for submission at:

<http://www.sre.gob.mx/tramites.htm>

http://www.sre.gob.mx/tramites/juridico/costos_27.htm

Federal Law on Duties: <http://www.diputados.gob.mx/LeyesBiblio/pdf/107.pdf>

4. Property and Commerce Public Registry, Commercial Notary and Notary Public

Property and Commerce Public Registry (PCPR)

The PCPR is a public institution that guarantees certainty, juridical security and protection to the property, its transmission, obligations and the effects of the inscribed rights, as well as the juridical acts carried out by individuals and legal entities.

A simple or certified copy of the registry of the property to be alienated or a certificate of the obligations of the real estate located in the Mexican republic, can be obtained in the PCPR; the registry offers the service to know who is the proprietor of the real estate to be purchased or for sale, and to know if a society or association (legal entity) is duly recorded in the Public Registry.

The main procedures and services that the PCPR carries out in the purchase and sale of real estate are:

- Certificate of Existence or nonexistence of Obligations.
- Certificate of registration of the Accountants Registers in book or folio.
- Certificate of non-registration.
- Certificate of acquisition or alienation of real estate (not property).
- Acts and Juridical Facts Registration.

The PCPR is an institution subject to each State of the Mexican Republic responsible of providing security and publicity to certain juridical acts implicating real estate or business corporations.

For further information on PCPR, visit:

<http://www.consejeria.df.gob.mx/rppc/index.html> and

<http://www.consejeria.df.gob.mx/rppc/fac/consultaFaq.html?tema=34>

National Directory of Public Registries:

<http://rppc.jalisco.gob.mx/imderac/Web/Director.asp>

Federal Civil Code, Chapter III of the Real State Property Registry and Inscriptible and Notated Titles: <http://www.diputados.gob.mx/LeyesBiblio/pdf/2.pdf>

Regulations to the Property Public Registry of the Federal District:
http://www.consejeria.df.gob.mx/rppc/mnnormativo/reg_rppc.pdf

Commercial Notary

A commercial notary is a private individual, legal expert, specialized in commercial and economic-financial matters, who has been entrusted by the Mexican Government to act as a mediating agent, appraiser, legal advisor, arbitrator, public attester and other activities indicated by the Federal Law on Commercial Notaries and other laws and regulations, through the corresponding entitlement issued by the Federal Executive through the Ministry of Economy.

According to Article 6 of the Federal Law on Commercial Notaries, a commercial notary shall have the following authority:

1. To act as a mediating agent, for the transmission and exchange of proposals between two or more parties, and for advising in the execution or adjustment of any contract or agreement that has a commercial nature.

When acting as a mediating agent, he/she acts in the transmission and exchange of proposals between two or more parties regarding any good or service that is offered in the national or international market, and he/she advises on the execution or adjustment of any contract or agreement that has a commercial nature.

The Commercial Notary offers security, trustworthiness, efficiency and expediency to his/her contributions, since he is a qualified market technician, and not just a simple intermediary; rather an expert mediator, honest and impartial that causes contact and adjusts commercial contracting in general, whether for goods or services. As a mediating agent, the Commercial Notary is obligated to propose business with accuracy, clarity and precision, maintaining professional secrecy in not revealing, as long as the commercial transaction has not concluded, the names of the contracting parties nor the data or reports on the transaction, unless the law or the nature of the transaction demands otherwise or the parties have agreed to such revelation.

2. To act as an expert appraiser for the estimation, quantification and valuation of goods, services, rights and obligations that are submitted to his/her consideration, either through a private mandate, or as a result of an order issued by a competent authority.

As an expert appraiser he estimates, quantifies and values the goods, services, rights and obligations that are submitted to his/her consideration, either through a private mandate, or as a result of an order issued by a competent authority.

The Commercial Notary is legally authorized to value within judicial proceedings or otherwise, including the following goods and services:

- a. Physical goods, such as jewelry and objects of art.
- b. Companies as whole for the purpose of strategic alliances conducted via mergers, acquisitions, associations, joint ventures, etc.
- c. Tangible assets: a) real estate, such as land and constructions: residential real estate, warehouses, industrial real estate, special facilities, etc.; b) moveable goods, such as shares, equity interests, industrial, commercial and services machinery and equipment and their accessories, automobiles, airplanes, vessels, etc.
- d. Intangible assets, such as copyrights, royalties, trademarks, trade names, authorizations for use, commercial notices and origin rights, franchises, commercial credits, credit rights, assessment of damages and loss of profits for judicial purposes, etc.

Appraisals conducted by a Commercial Notary shall have full legal evidentiary value for commercial and tax purposes.

As an expert appraiser, the Commercial Notary is a professional with knowledge of the market and the commercial practices and customs. His/Her knowledge is sufficient so that as regards valuation matters, he/she can estimate, qualify, appraise and assess whatever is submitted to his/her judgment in his/her capacity of a qualified, responsible and impartial intermediary.

The Commercial Notary, in his/her capacity of just appraiser of goods, services, rights and obligations, issues expert opinions. Depending on the expert opinion to be rendered, or of the objectives or purposes for which it is to be prepared, all appraisal necessarily requires the expert choice of valuation method, which shall be adjusted to the techniques regarding valuation practice that are deemed acceptable. This provides great reliability and impartiality in such appraisals and is precisely what justifies and validates the performance of the Commercial Notary as an expert appraiser, while serving as a basis for the expert opinions rendered by him/her.

3. To provide legal advice to merchants or businessmen in activities that are inherent to trade.

In his/her capacity as a legal adviser, he/she provides legal advice to all kinds of companies, commercial entities and individuals who undertake entrepreneurial activities.

The Commercial Notary is a reliable and impartial adviser, with vast legal knowledge who exercises control over the legality of businesses.

4. To act as an arbitrator, upon request by the parties, in the resolution of disputes derived from acts, contracts and agreements that are commercial in nature, as well as regarding those that result between suppliers and consumers pursuant to the relevant law.

As an arbitrator, he/she acts upon request by the parties, in the resolution of disputes derived from commercial acts, contracts and agreements that are national or international in nature, as well as regarding those that result between suppliers and consumers pursuant to the Federal Consumer Protection Law.

Currently, the National Copyright Institute and the Federal Consumer Protection Agency include Commercial Notaries interested in acting as arbitrators within their lists of independent arbitrators.

Arbitration is a mechanism for the resolution of disputes through the voluntary agreement of the parties in conflict, instead of resorting to courts, which generally implies long, complicated and costly proceedings.

In arbitration, as in judicial proceedings, a judgment is rendered on the application of the legal applicable provisions to the specific situation that is resolved. The Commercial Notary in his/her capacity of arbitrator, issues arbitral awards.

5. To act as a public attester in order to evidence contracts, agreements and acts that are commercial in nature, except in the case of real estate, as well as for the issuance of debentures and other securities; as regards mortgages on ships, vessels and aircraft that are executed before him/her; as well as to attest to facts that are commercial in nature.

As a public attester, he/she issues policies (*pólizas*) and deeds that are public instruments that have full evidentiary value pursuant to applicable law. Part of the legal security provided by the Commercial Notary is his obligation to maintain his/her own public instruments and to that effect, he/she must daily create a file of all policies and deeds, which shall be dated and chronologically numbered; and in that same order, he/she shall insert a summary thereof in the special ledgers maintained to that effect, providing the greatest legal security.

In his capacity of commercial public attester, the Commercial Notary has the following characteristics:

- a. Provides legal certainty of a specific date to the execution of a business.
- b. Has the obligation of verifying the identity and legal capacity of the parties participating in a business, as well as giving advice and explanation on the legal consequences of the acts they are involved in.
- c. Is responsible for his/her participation in a legal action the purpose of which is physically or legally impossible, or contrary to law or good customs.
- d. Issues a public document that has an assumption of validity and, in some cases, becomes an executive instrument. Since it is a public document, it is an instrument that may be recorded with the Public Registry, and the business provided thereby may be used as evidence against third parties.

The current activities of a Commercial Notary (mediating agent, expert appraiser, legal advisor, arbitrator and public attester) make him/her a useful and practical legal concept which enables expeditiousness to trade and aids merchants and entrepreneurs, providing them legal security for their operations, quickly and at the less possible cost.

6. To act as an attester in the incorporation and other acts provided by the General Law on Business Corporations (*Ley General de Sociedades Mercantiles*), including those that evidence the authority of those appointed to corporate office.

7. Compare and certify copies of the policies and deeds that were issued by them, as well as those documents seen by them, provided they are among those referred to by Articles 33 to 50 of the Commercial Code, and

8. Any other tasks provided by other laws and regulations.

The foregoing tasks are indicated without prejudice of the provisions of any other laws, and shall not be deemed exclusive to commercial notaries.

Only the persons entitled as such by the Ministry of Economy may represent themselves as commercial notaries.

Commercial Notaries entitled by the Ministry of Economy:

<http://www.economia.gob.mx/?P=865> and

http://www.correduriapublica.gob.mx:7778/correduria_oracle/web/index.jsp

Federal Law of Commercial Notaries:

<http://www.diputados.gob.mx/LeyesBiblio/pdf/105.pdf>

Regulations to the Federal Law of Commercial Notaries:

http://www.cddhcu.gob.mx/LeyesBiblio/regley/Reg_LFCP.pdf

Notary Public

The Mexican Notary Public is a specialized attorney with advanced legal knowledge, who participates in commercial and civil matters as a public attester and legal adviser to investors, entrepreneurs and individuals.

In Mexico, acts that are executed before the presence and under the advice of a Notary Public have full evidentiary value in all courts around the country, and are an absolute guarantee of legality and legal certainty.

The Notary Public is a legal professional, who undertakes public tasks within the framework of non-contentious activities initiated by the State, and he/she performs numerous social tasks within the scope of Mexico's national society, and to this extent he/she is a public official and autonomous delegate of State's public authority.

The public and societal tasks of the Notary Public are, to a very special extent, at the disposal of respect and safeguard of legality and maintenance of legal security and equity.

The Notary Public performs his/her tasks by establishing authentic acts that have evidentiary and executive force, through the rendering on the one hand, of full legal consulting and assistance services to citizens. These activities are intimately linked to authentication duties, as well as the performance of judicial acts within the confines of voluntary jurisdiction proceedings, through which the Notary public contributes to expediting the judicial powers of the State.

The Notary Public exercises his/her public tasks impartially, maintaining professional secrecy as well as substantial, economic and personal independence within the framework of a liberal profession specifically governed, thereby providing specific contribution to consumer protection.

The Notary Public, due to the territorial organization of his/her profession within the framework of its competence, guarantees legal assistance in favor of citizens within an entire sub-federal territory.

The Notary Public is subject to regular and severe control in connection with all of his/her activities and tasks by the National Association of Notaries Public and by the Colleges of Notaries of the states, as well as by the State itself, and, therefore, he/she ensures the personal responsibility of his/her activities and tasks.

The Notary Public is able to acquire and maintain his/her legal competence through university entitlement, postgraduate practical training and permanent continuing education in furtherance of his/her professional formation.

In sum, the Notary Public provides certainty and security, and is a qualified legal adviser, who impartially advises and guides the interested parties, suggests the ideal legal tools, so that through the execution of the suitable legal act, they may be able to govern their rights and legal events in general; he/she inserts such events in a document authored by him/her. Once it has been signed by the relevant person, it is authenticated by him/her as a continuous act so that he/she may provide authentic evidence of its execution. Besides, the notary public is an officer that is vested with public faith so that the documents authorized by him/her and the copies and reproductions issued have full evidentiary value in court and out of court, and, consequently, that its content be deemed as good and valid by all the persons involved or related to the effects of the acts or facts attested in such documents, and in general, by the entire community, notwithstanding the fact that it has no evidence of the provisions thereof, since this is the legal quality of public faith.

When doing business in Mexico, your assets will be legally backed if before entering into an agreement or conducting an investment, you consult directly a Notary Public, who will consult with the College of Notaries of the relevant city or state.

Agreements executed before Notaries are provided with a guarantee of legal certainty that is granted by the Mexican Government in favor of those who request its services.

The Notary Public shall intervene in:

- Real estate purchases and sales.
- Incorporation of companies.
- Granting of powers of attorney.
- Purchase and shares of companies.
- Trusts in beaches and borders.
- Wills and inheritances
- Financial and credit operations
- Civil and commercial arbitration, etc.

National Registry of Attesters-Notaries in the Mexican republic by entity:

http://www.sat.gob.mx/sitio_internet/sitio_aplicaciones/padron_fedatarios_notarios/notarios.html

National Association of Notaries Public, A.C.:

<http://www.notariadomexicano.org.mx/>

Colleges of Notaries of the DF: <http://www.colegiodenotarios.org.mx/>

General Archive of Notaries of the Federal District:

http://www.consejeria.df.gob.mx/legislativos/archivo_general/organ_fond.html

Notaries Law for the Federal District:

<http://www.asambleadf.gob.mx/al/pdf/010803000056.pdf>

5. Procedures before the Mexican Social Security Institute (IMSS)

Responsible authority: IMSS.

<http://www.imss.gob.mx>

1. Employer registration before the Mexican Social Security Institute.

Refer to this procedure, at:

http://www.cofemertramites.gob.mx/intranet/co_dialog_PublishedTramite.asp?coN odes=1226973&num_modalidad=1

Upon completion of this procedure, the companies will be automatically registered in the National Workers' Housing Fund and the Retirement Savings System.

2. Company registration with the Occupational Risk Insurance of the Mexican Social Security Institute.

Refer to this procedure, at:

http://www.cofemertramites.gob.mx/intranet/co_dialog_PublishedTramite.asp?coN odes=1226956&num_modalidad=1

These procedures with IMSS shall be carried out within five business days after hiring the workers.

6. Procedures before the National Worker's Housing Fund (INFONAVIT)

Responsible authority: INFONAVIT.

<http://www.imss.gob.mx>

Pursuant to the Law, employers shall comply with the following procedures:

1. Registration of the employer and the employee in the INFONAVIT;
2. Submitting before the INFONAVIT a notice of any change regarding domicile, denomination or firm, increase or decrease of fiscal obligations, suspension or renewal of activities, closing, merging, division, alienation and bankruptcy statement and payment suspension, as well as any other circumstance that affects its registry before the Institute;

3. Submitting before the INFONAVIT a notice of entry, ending, wages modification, absences and disabilities and any other fact regarding employees that is necessary for the INFONAVIT;
4. Determine and pay contributions in the housing account of the National Housing Fund, as well as to withhold and pay allowances in the INFONAVIT's offices, or if necessary, in the receiving entities as indicated by the INFONAVIT.
5. Employers shall register their workers by means of the authorized forms from the INFONAVIT, in its offices, or in the entities previously authorized by it, within 5 business days as of the date the labor relationship was initiated. In case a worker renders his/her services to several employers, each employer shall be obliged to register him/her in the INFONAVIT.
6. The employer shall submit the IMSS social security number of the employee in order to register him/her.

Refer to: <http://www.infonavit.gob.mx> and
http://www.infonavit.gob.mx/empresario/abc_empresario.shtml

Payments to the INFONAVIT

The payment of contributions and/or allowances to workers due to credit amortizations from the INFONAVIT shall be effectuated in banks (receiving offices) within 17 days at the most of the next month following the two months term when the payment has to be done.

If the employer has five workers or more in payroll, he/she shall pay at the bank or in the receiving office submitting a diskette through the Single System of Self-calculation (SUA) as well as the payment amount.

If the staff is of four or less workers, the employer shall pay at the bank or at the receiving office submitting information through the Certificate of Calculation of Credit Fees, Contributions and Amortizations, as well as the payment amount. The bank shall deliver a receipt for such payment. In case, adjustments are made to such certificate or if the payment is inopportune it will be necessary to create a file in the SUA. If support is required for this activity, the certificate or its modifications can be submitted before the corresponding IMSS office.

Refer to: http://www.infonavit.gob.mx/empresario/pagos_al_infonavit.shtml

Receiving entities:
http://www.infonavit.gob.mx/trabajador/cuanto_ahorro/entidades_recep.shtml

Dates of payment:

http://www.infonavit.gob.mx/empresario/sua/fechas_de_pago_de_aportamortiz.shtml

Single System of Self-calculation:

<http://www.infonavit.gob.mx/empresario/sua/sua2000.shtml>

7. Expedite Business Start-Up System (SARE)

Responsible authority: Federal Commission for Regulatory Improvement (COFEMER).

www.cofemer.gob.mx

The Expedite Business Start-Up System (SARE) is a scheme that promotes the opening of all kinds of companies in one business day through the identification of the minimum federal procedures necessary to complete the set up and start operations, simplification of procedures and the expeditious processing by the federal authorities.

In addition, companies performing one of the 685 business activities (agribusiness, industrial, trade and services) deemed of low public risk and that are described in the Exhibit to the Decree establishing SARE, issued in the Official Gazette on January 28, 2002, will have up to 3 months to meet other federal mandatory requirements after obtaining the Taxpayers' Registry Number. During that period, the federal authorities may not request information or perform visits to verify compliance with such procedures.

As regards low risk activities and their benefits, the scheme was based on the 1999 Mexican Classification of Goods and Businesses (CMAP) by INEGI. Such activities account for 80% of the most frequent businesses in our country and are susceptible of being developed by micro, small and medium enterprises.

Please refer to Decree at:

<http://www.apps.cofemer.gob.mx/sare/sare.pdf> or

[Http://www.economia.gob.mx/pics/p/p1376/A4.pdf](http://www.economia.gob.mx/pics/p/p1376/A4.pdf)

For procedures, see:

http://www.cofemer.gob.mx/index.asp?tipo_nav_bar=2&contenido=2&content_id=137&menu_id=17&submenu_id=37

Federal Procedures

According to SARE, the procedures to be performed with the Federal Government to open a company or start working as an independent professional are:

a. Procedures before the Ministry of Treasury (SHCP) and the Ministry of Foreign Affairs (SRE)

Individuals: registration in the Federal Taxpayer's Registry (RFC) assigned by the Tax Administration Service of the Ministry of Treasury, and

Legal entities: procedure SRE-02-001, to obtain an authorization for the incorporation of companies registered in the RFC as required by the Ministry of Foreign Affairs. The procedure can be carried out by the commercial and public notaries that took part in the incorporation of the company, through electronic means.

In addition, those companies that make use of the Expedite Business Start-up System (SARE) shall comply with their fiscal obligations, including the payment of federal taxes.

Refer to RFC registration at:

http://www.sat.gob.mx/sitio_interent/servicios/noticias_boletines/33_6467.html

b. Procedures before the Ministry of Labor and Welfare (STPS) and the Mexican Social Security Institute (IMSS)

In the event of hiring workers, companies will carry out the following procedures:

1. The employer shall be registered before the IMSS and he/she shall register his/her workers in the obligatory regime within five days after the respective contracts have been made, through the procedure: IMSS-02-001-A Employer registration, mode initial A. Companies will be automatically registered in the National Worker's Housing Fund and at the Saving System for Retirement.

For this procedure, refer to:

http://www.cofemertramites.gob.mx/intranet/co_dialog_PublishedTramite.asp?coN odes=1226973&num_modalidad=1

2. Registration of the company in the Labor Risk Insurance before the IMSS, within five business days after the contract has been made.

For this procedure, refer to:

http://www.cofemertramites.gob.mx/intranet/co_dialog_PublishedTramite.asp?coN odes=1226956&num_modalidad=1

3. Approval of Teaching and training plans and programs, through the procedure: STPS-04-001-A, which shall be resolved in a one business day term, concluding this term the constructive assent will be applied. The procedure shall be submitted in a simplified format through the internet and, if the

company does not have a collective employment contract, it must be carried out, , within the first sixty days of the following odd year after the company was established and began operating, or, in case the company enters into this contract, within fifteen days following this act, and these plans and programs shall be at the STPS disposal.

For this procedure, refer to:

http://www.cofemertramites.gob.mx/intranet/co_dialog_PublishedTramite.asp?coNodes=1130017&num_modalidad=0

4. Incorporation of the Security and safety commission at the working centers, through the procedure STPS-05-001-A. It will not be necessary to carry out a request form or submit any information before the STPS, in any case, it is important to keep this information for disposal if necessary.

For this procedure, refer to:

http://www.cofemertramites.gob.mx/intranet/co_dialog_PublishedTramite.asp?coNodes=1129929&num_modalidad=0

5. Incorporation of the Mixed Commission of teaching and training, through the procedure STPS-04-004. It will not be necessary to carry out a request form or submit any information before the STPS, in any case, it is important to keep this information for disposal if necessary.

For this procedure, refer to:

http://www.cofemertramites.gob.mx/intranet/co_dialog_PublishedTramite.asp?coNodes=981731&num_modalidad=0

6. Finally, companies shall pay the respective social security and saving for retirement contributions.

Refer to: http://www.infonavit.gob.mx/empresario/tramites_ante_el_imss.shtml

c. Procedures before the Ministry of Health (SS)

In those activities where the *Notice of Functioning* is required, companies shall submit before the Ministry of Health the procedure: SSA-04-001-A Notice of Functioning, mode A initial, within 10 business days after obtaining the registration in the Federal Taxpayer's Registry.

For these procedures, refer to:

http://www.cofemertramites.gob.mx/intranet/co_dialog_PublishedTramite.asp?coNodes=923372&num_modalidad=0 , or

http://www.cofemertramites.gob.mx/intranet/co_dialog_PublishedTramite.asp?coNodes=1028080&num_modalidad=0

Refer to the Ministry of Health agreement for information on the establishments that must submit the Notice of Functioning, within the framework of the Expedite Business Start-up System agreement, in:
<http://www.apps.cofemer.gob.mx/sare/sare-ssa.pdf>

d. Procedures before the Ministry of Environment (SEMARNAT)

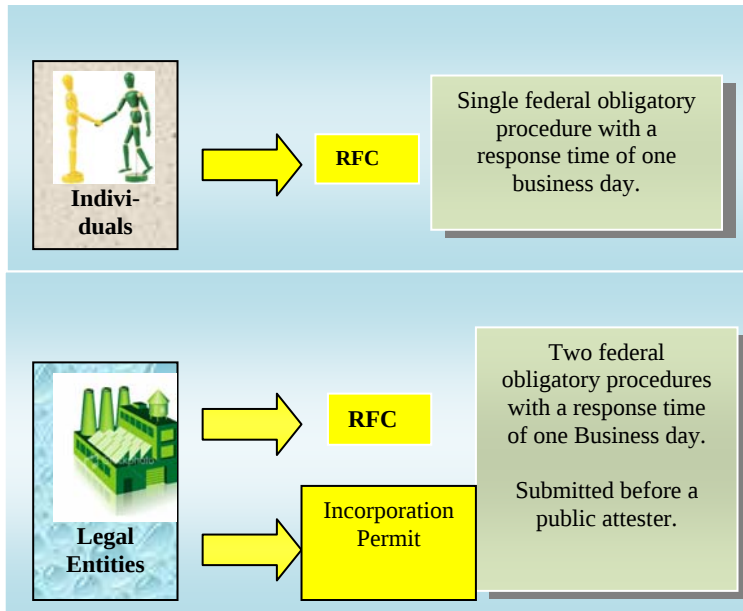
In addition, when the *Notice of registration as a company that produces hazardous waste* is specified in the activities carried out by the company, it shall submit before the Ministry of Environment and Natural Resources the procedure: INE-04-004-A, Notice of registration as a company that produces hazardous waste, mode A General, within three months at the most after obtaining the registration in the Federal Taxpayer's Registry.

For this procedure, refer to:

http://www.cofemertramites.gob.mx/intranet/co_dialog_PublishedTramite.asp?coN odes=1227531&num_modalidad=1

Refer to the Agreement from the Ministry of Environment and Natural Resources where the activities that require to submit the procedure: INE-04-004-A Notice of registration as a company producer of hazardous waste, mode A general, are specified, as referred in the Agreement established by the Expedite Business Start-Up System, at: <http://www.apps.cofemer.gob.mx/sare/sare-semarnat.pdf>

e. Federal Procedures Scheme



f. Three government levels: federal, state and municipal procedures

The opening of new businesses involves the three government levels; therefore it is essential to coordinate actions to make agile and reduce the corresponding procedures to the minimum.

Sare's success depends mostly on its implementation in the States and Municipalities, since they establish regulations and procedures for a new business to incorporate and start operations in their territory.

To implement an expedite business start-up system in most of the States and Municipalities, it is necessary to add the steps for land use and the operation license.

	FEDERAL	STATE	MUNICIPAL
OBLIGATORY PROCEDURES PRECEDING THE OPENING	RFC Registry	Notice of Functioning	Use of Land
	SRE Permit		License of Functioning
	1 business day	24 to 48 hours	24 to 48 hours
OPENING IN TWO DAYS			
OBLIGATORY PROCEDURES SUBSEQUENT TO OPENING	Registration to IMSS INFONAVIT, SAR	5 business days after hiring employees	OBLIGATORY PROCEDURES DEPENDING ON EACH STATE AND MUNICIPALITY
	Integration of the commission of security and hygiene	10 business days after obtaining the RFC registry	
	Approval of training programs	15 days with contract 60 days without contract	
	Notice of registration as a company that produces hazardous waste	1-3 months depending on its quality	

III. - TAX REGIME

Responsible Authority: Tax Administration Service. Ministry of Treasury.

www.sat.gob.mx

7. Foreigner Definition

Individuals or entities (companies, associations or partnerships, among others) that are governed by the legislation of another country in light of their nationality, domicile, residence, seat of operation, and other criteria, shall be deemed foreign nationals for taxation purposes.

In order to explain the applicable tax regime, foreign nationals are distinguished according to: residents in Mexico, and residents abroad.

8. Residents in Mexico

Tax legislation deems the following persons as residents in Mexico:

- Nationals and foreign individuals who have established their residence in Mexico.
- When they have a residence in another country, they shall be deemed as residents in Mexico if they have their center of vital interests in the country; i. e., that more than 50% of the annual income of an individual is derived from a source of wealth located in Mexico, or, that the center of their professional activities is located in Mexico, among other cases.
- Individuals with Mexican nationality that are State officers or employees thereof, even when the center of their vital interests is located abroad.
- Entities (companies, associations or partnerships, among others) that have been incorporated pursuant to Mexican law, as well as those that have established in Mexico their main place of business or the seat of their management.

It is worth noting that Mexican individuals are deemed residents in Mexico, unless they prove that they are residents of another country.

Individuals

Individuals that are residents in Mexico pursuant to the foregoing, regardless of the fact that they may have a foreign nationality, shall pay taxes just as any other national individual that is resident in Mexico. Foreign nationals that are residents in Mexico, who receive income in this country, shall become taxpayers just as any other Mexican national and consequently must comply with the relevant obligations according to the corresponding income regime.

Entities

Entities that are residents in Mexico shall pay taxes, according to any of the following regimes:

- Entities-General Regime
- Non-profit Entities
- Entities-Simplified Regime

Refer to Residents in Mexico:

http://www.sat.gob.mx/sitio_internet/asistencia_contribuyente/principiantes/eres_extranjero/78_2157.html

In order to know how to pay taxes:

http://www.sat.gob.mx/sitio_internet/asistencia_contribuyente/principiantes/eres_extranjero/78_2161.html

9. Residents abroad

Tax legislation deems the following persons as residents abroad:

- Nationals and foreign individuals who do not have their residence in Mexico. Notwithstanding the foregoing, if they have their residence in Mexico, they shall be deemed as residents abroad if they do not have their center of vital interests in this country; i.e., that more than 50% of their annual income is not derived from a source of wealth located in Mexico, or, that the center of their professional activities is not located in Mexico, among other cases, and
- Entities (companies, associations or partnerships, among others) that are not incorporated pursuant to Mexican law, as well as those that have not established in Mexico their main place of business or the seat of their management, but that maintain one or more permanent establishments in Mexico.

Individuals or entities that pursuant to the foregoing are resident abroad must pay taxes in Mexico in any of the following cases:

- When they obtain income from any source of wealth located in Mexico.
- When they have a permanent establishment in Mexico, for the income attributable to such establishment.

A permanent establishment shall be deemed any place of business where business activities are conducted partially or totally or where independent personal services are rendered. These places shall be, for instance:

- Branches
- Agencies
- Offices
- Factories
- Workshops
- Facilities
- Mines
- Quarries
- Any place of exploration, extraction or exploitation of natural resources.

The following shall be deemed business activities:

- **Commercial activities.**
- **Industrial activities**, i.e., the extraction, conservation or transformation of raw materials, the finishing of products and the manufacturing of goods.
- **Agricultural activities**, which comprise sowing, cultivating and harvesting activities, as well as the first sale of the products obtained, provided they have not been subject to industrial transformation.
- **Livestock activities**, which include raising and feeding of cattle, farm birds and animals, as well as the first sale of the products obtained, provided they have not been subject to industrial transformation.
- **Fishing activities**, which include raising, cultivating and caring of reproduction activities in connection with all kinds of marine and sweet water species, including aquaculture, as well as the capture and extraction thereof, and the first sale of the obtained products, provided they have not been subject to industrial transformation.
- **Forestry activities**, which are cultivation of forests and hills, as well as raising, conservation, restoration, development and use of vegetation thereof, as well as the first sale of the obtained products, provided they have not been subject to industrial transformation.

A permanent establishment in Mexico shall also be deemed to exist:

- When the foreign resident conducts business activities in Mexico through a trust.
- When he/she acts in Mexico through a person who exercises powers for the execution of agreements on his/her behalf and in his/her representation.
- When an insurance company receives income from the collection of premiums in Mexico, or when it issues insurance coverage against risks located in Mexico.
- When he/she acts through an independent agent, if not acting within the ordinary framework of his/her activities.
- When construction, demolition, maintenance and mounting services for real estate and other related activities are conducted in Mexico, provided they

Refer to Residents abroad:

http://www.sat.gob.mx/sitio_internet/asistencia_contribuyente/principiantes/eres_extranjero/78_2158.html

Payment of taxes:

http://www.sat.gob.mx/sitio_internet/asistencia_contribuyente/principiantes/eres_extranjero/78_2161.html

Customs Law: <http://www.diputados.gob.mx/LeyesBiblio/pdf/12.pdf>

10. Taxes

a. Income tax (IT)

Foreign nationals that are residents abroad and they obtain income in Mexico shall pay this tax, or when they have a permanent establishment in Mexico, for the income derived from such establishment.

Based on the foregoing, individuals or entities must pay taxes in Mexico when they obtain income derived from the following:

- Salaries.
- Professional fees.
- Compensation paid to board members, administrators, statutory auditors and managers.
- Lease of real estate.
- Lease of moveable goods.
- Time share tourist service agreements.
- Sale of shares.
- Financial leases.
- Royalties, technical assistance and advertisement.
- Interest.
- Prizes.
- Artistic and sport activities, as well as public shows.
- Distributable surplus of non-profit entities.
- Dividends, profits, remittances and earnings distributed by entities.
- Real estate sale.
- Building site construction, installation, maintenance or placement of real estate, inspection or supervision.
- Other income from a source of wealth located in Mexico.

A **royalty payment** shall be deemed made when payment is received for the use and enjoyment of patents, certificates of invention, improvement or factory marks, copyrights, as well as the amounts received for the transfer of technology or information relative to industrial, commercial or scientific experiences; for the transmission of visual images, sounds or both, or for any similar right or property.

Income derived from technical assistance shall be deemed to exist when payment is received for the rendering of independent services that are provided with non-patentable knowledge that do not imply the transmission of confidential information.

Income shall be deemed to exist when the goods or rights for which royalties or technical assistance is paid are utilized in Mexico, or when the payment—including advertisement- is made by residents in Mexico or foreign residents with a permanent establishment in the country.

The following shall be deemed, *inter alia*, **interest**:

- The yield of credits of any sort.
- Yield derived from public debt, bonds or debentures, including premium and prizes similar to the yield of such securities.
- Prizes paid in security loans.
- Discounts on the placement of securities, bonds or debentures.
- Commissions or payments made as a result of the granting or creation of security interest on credits, even when the latter may be contingent.
- Payments made to a third party as a result of the acceptance of surety, the granting of security interest, or for liability of any class.
- Earnings derived from the sale of securities placed among the general investing public.
- Earnings derived from the sale of shares of investment companies that are specialized in debt instruments.
- Interest shall also be deemed to exist upon income obtained by a resident abroad from the purchase of a credit right of any kind, whether current, future or contingent.

Exempt interest. No tax shall be paid when interest is paid by the foreign establishments of national financial institutions.

Income tax shall not be paid for the following interest:

- Those derived from loans granted to the Federal Government or to the Bank of Mexico.

- Those derived from bonds issued by the Federal Government or the Bank of Mexico, when purchased and paid abroad.
- Those generated by loans with a term of three years or more, granted or guaranteed by financial entities that are resident abroad and that are dedicated to export promotion, provided they are registered in the Bank's Registry, financing entities, pension and retirement funds, and foreign investment funds.
- Those generated by loans granted, or guaranteed pursuant to preferential conditions by financing entities that are resident abroad, to institutions that are authorized to receive deductible donations pursuant to the Income Tax Law.

When persons who are residents abroad obtain income from **dividends, profits, sent remittances and, in general, from earnings distributed by entities**, the source of wealth shall be deemed to be located in Mexico when the person who distributes them resides in Mexico.

The following shall be deemed as other income for which Income Tax must also be paid:

- The amount of debts cancelled by the creditor or those paid by another person. The source of wealth shall be deemed to be in Mexico when the creditor who cancels the debt is a resident of the country, or a resident abroad with a permanent establishment in Mexico.
- Those obtained from granting the right to participate in a business, investment or any payment for the execution or participation in legal businesses of any nature. In this case, the source of wealth shall be deemed to be in Mexico when the business, investment or legal act takes place in the country, and is not a capital contribution made to a legal entity.
- Those derived from the payment of indemnities for loss of profits, and the income derived from penal or conventional penalty clauses. The source of wealth shall be deemed to be in Mexico when whoever makes payment is a resident of Mexico, or a resident abroad with a permanent establishment in the country.
- Those derived from the sale of a commercial loan. The source of wealth shall be deemed to be in Mexico when the commercial credit is attributable to a resident of the country, or a resident abroad with a permanent establishment in Mexico.

Income Tax Law: <http://www.diputados.gob.mx/LeyesBiblio/pdf/82.pdf>

b. Value-Added Tax (VAT)

In case of obtainment of income from the sale of goods or for the lease of real estate other than residential property, shall be subject to payment of Value-Added Tax. If the real estate is leased with furniture, or in the case of hotels or hostels, Value Added Tax shall also be paid.

Individuals or legal entities that make payments to residents abroad for the rendering of services that are utilized in Mexico, for the use and enjoyment of tangible and intangible assets, among others, shall be deemed importers, and shall pay the tax that is generated pursuant to the Value-Added Tax Law.

Value-Added Tax Law: <http://www.diputados.gob.mx/LeyesBiblio/pdf/77.pdf>

Fiscal Code of the Federation: <http://www.diputados.gob.mx/LeyesBiblio/ref/cff.htm>

c. Corporate Tax at a Single Rate (CTSR)

Individuals and legal entities who live in Mexico, as well as residents abroad with a permanent establishment in this country, must pay the Corporate Tax at a Single Rate generated for the income obtained, regardless the place where the activity takes place and according to the following activities:

- Alienation of goods,
- Rendering of independent services,
- Grant of use of temporary goods.

Residents abroad with permanent establishment in the country must also pay the Corporate Tax at a Single Rate for the income derived from such establishment and in agreement with the abovementioned activities.

Corporate Tax at a Single Rate Law:

http://www.diputados.gob.mx/LeyesBiblio/abro/lia/LIA_abro_01oct07.pdf

d. Special Tax on Production and Services (STPS)

Individuals and legal entities must pay this tax for the sale and importation of alcoholic beverages and beer, alcohol, denatured alcohol, and uncrystallizable honey, tobacco, gasoline, and diesel.

This tax shall also be paid for the rendering of the following services:

- Commission, mediation, agency, representation, brokerage, consignment and distribution, regarding the sale of alcohols, beers and tobaccos. The

STPS shall not be paid for those goods sold that are not obliged to the payment in terms of the Law.

- When gambling and raffles are carried out in agreement with the Federal Law of Gambling and Raffles and its regulations, those carried out by decentralized organizations or institutions, as well as games and contests where the prize is obtained by the participant's dexterity in the use of machines, where electronic visual images (numbers, symbols, shapes, etc) are utilized and are made in the country.

STPS is an indirect tax since the taxpayer does not pay it directly, it is transferred to his/her clients (except for importation of goods). Taxpayers shall only report it to the SAT.

Special Tax on Production and Services Law:

<http://www.diputados.gob.mx/LeyesBiblio/pdf/78.pdf>

e. Cash Deposit Tax

Individuals and legal entities must pay this tax in regard to all deposits in cash, in foreign or national currency, made in any nominative account in institutions of the financial system.

This tax is applied to the amount that exceeds 25,000 pesos in cash deposits carried out in institutions of the financial system, whether for one deposit or the sum of several deposits per month. This tax is calculated by multiplying the amount that exceeds 25,000 pesos by a 2 percent rate.

The 2 percent tax must also be paid when acquiring a cashier's check in cash regardless the amount.

Deposits in favor of individuals or legal entities through internet transference will not be considered as cash deposits, through or by account transfer, credit titles or any other document or system agreed with institutions of the finance system according to the applicable laws, even though such deposits are charged to the same institution that receives them.

Consult Cash Deposit Tax: <http://www.sat.gob.mx/nuevo.html>

Cash Deposit Tax Law:

http://www.diputados.gob.mx/LeyesBiblio/ref/lide/LIDE_orig_01oct07.pdf

11. Taxes forms of payment

Foreign nationals, who must pay taxes in Mexico, generally comply with this duty if the person who makes payments to them withholds such taxes and pays them to the Tax Administration Service.

In this regard, persons who are residents in Mexico, or if they are residents abroad but have a permanent establishment in this country, and those who make payments to residents abroad, shall be obliged to conduct the withholding of taxes.

Withholding is the amount that individuals or entities, which make payments to residents abroad, shall reduce due to income tax.

Although persons who conduct the withholding are not constituents, they are obliged to make the payment for which the taxpayer is responsible for.

In those cases when the person from whom foreign nationals obtain income does not fall within the foregoing assumptions, and consequently does not conduct the withholding, the taxpayers themselves shall make the payment directly to the Tax Administration Service.

When the person who makes payments withholds taxes, he/she shall pay such taxes on a monthly basis no later than on the 17th of the month following that on which the withholding was made. Payment shall be made via internet or by payment at a bank teller, as applicable.

When payment is to be made by the taxpayer who obtains the income, he/she shall do so at the authorized office, within the 15 days following receipt of such income.

Refer to foreign individuals or entities for tax purposes, kinds of taxes and forms of payment, in:

http://www.sat.gob.mx/sitio_internet/asistencia_contribuyente/principiantes/eres_extranjero/default.asp

Fiscal Code of the Federation: <http://www.diputados.gob.mx/LeyesBiblio/ref/cff.htm>

Federal District Tax Code (Código Financiero del DF in Spanish):

<http://cgservicios.df.gob.mx/prontuario/vigente/r44311.htm> and
http://cgservicios.df.gob.mx/prontuario/vigente/Tablas_r4436.htm

Miscellaneous Fiscal Resolution for 2007-2008:

http://www.sat.gob.mx/sitio_internet/informacion_fiscal/legislacion/52_9536.html

12. Federal Taxpayer's Registry (RFC)

Residents abroad, who obtain income in Mexico, with or without a permanent establishment in this country, shall apply their registration in the Federal Taxpayer's Registry (RFC), even though their income's source is different from the establishment they own.

If you intend to set up a business, incorporate a company, work on your own, or lease real estate, you must decide whether the person will conduct its economic activities as an individual or a legal entity, since legislation provides different treatment for each one, and this is the basis for the procedure and requirements that must be met for registration before the Federal Taxpayers' Registry (RFC) and the obligations that will be assumed.

For instance, as regards individuals, there are several regimes according to the activity to be conducted and the amount of income. In the case of legal entities, the tax regime and the corresponding obligations are different for profit and non-profit companies.

Individuals

If you are going to set up a business, incorporate a company, lease real estate, or work on your own, you must register before the Federal Taxpayers' Registry (RFC) dependent of the Tax Administration System (SAT).

For this purpose, you shall file the procedure at the Local Taxpayer's Assistance Office of the Ministry of Treasury according to your domicile, enclosing the documents required for this procedure. In these offices you will obtain personal advising and orientation, on the different areas of service for taxpayers, in order to motivate and support the correct and timely fulfillment of your tax obligations. The personal assistance offices you can attend are:

- National Consulting Center (CNC).
- 66 Local Taxpayer's Assistance Offices (ALSC), located in different cities of Mexico.
- Offices Out of Seat (MFS) and SARE (Expedite Business Start-Up System) offices located in Malls, Chambers Associations, Government Centers, Culture Houses and Municipal Offices.
- Mobile Offices (UM) that cross the country and you can find them in places where there are no Tax Administration System offices, as well as in common places where these offices can be settled for public orientation. *(To locate them, dial the Local Taxpayer's Assistance Offices Number that corresponds to your domicile).*

The interested person shall submit the documents indicated in the Tax Procedures Requirements Guide. The Tax Identification Certificate and the Certification of Registration will be delivered within 15 days after their application, however these documents can be obtained immediately by filing the specific requirements established for this modality in such Guide.

The procedure for registration before the Federal Taxpayer's Registry for individuals, has the following benefits:

- Attention through an appointment, thereby eliminating waiting time,
- Elimination of the use of tax forms,
- Possibility of immediately obtaining a Tax Identification Certificate,
- Immediate delivery of a Certification of Registration,
- You may personally verify that the data with which you have been registered in the system is correct,
- Tax orientation for the compliance of the obligations assumed.

For individuals registration in the Federal Taxpayer's Registry (RFC), see:
http://www.sat.gob.mx/sitio_internet/informacion_fiscal/tramites_fiscales/guia_tramites/125_6017.html

Legal entities

If you wish to manufacture, sell goods or render services through a company or partnership, you must do the following: legally create or incorporate the company or partnership. To that effect you must appear before a notary public or a commercial notary, who shall indicate to you the requirements to be met, and thereafter obtain the articles of incorporation, which is the document that evidences the existence of the company or partnership, necessary for registration in the RFC.

For this procedure there is a quick and simple system, which consists in that the notary public or commercial notary before whom the company or partnership was created may register it automatically provided such notary public or commercial notary is a public attester. In this case, you will be delivered a temporary Tax Identification Certificate, which you will be able to use during three months while the SAT delivers to you a definitive certificate.

If the notary public or commercial notary you appeared before does not participate in the aforementioned program, you may register the legal entity with the relevant Tax Help Desk according to its registered address, by submitting the documents indicated in the [Tax Procedures Requirements Guide](#).

Once you have conducted this procedure, you will be delivered your Tax Identification Certificate, and Registration certificate. With this certificate you must appear before an authorized printer in order to create your invoices, receipts and sales slips, which you shall deliver to customers. In the case of sales slips, you may print them with any printer.

Registration before the Federal Taxpayer's Registry (RFC) for legal entities, see:
http://www.sat.gob.mx/sitio_internet/inforamcion_fiscal/tramites_fiscales/guia_tramites/125_6015.html

Registration before the Federal Taxpayer's Registry (RFC) for legal entities through a public attester, see:

http://www.sat.gob.mx/sitio_internet/informacion_fiscal/tramites_fiscales/guia_tramites/125_6133.html

IV. - IMPORT AND EXPORT OF MERCHANDISE

1. Customs

Responsible Authority: Customs General Administration. Tax Administration Service. Ministry of Treasury.

www.aduanas.sat.gob.mx

The Customs General Administration is the authority in charge of enforcing the laws that regulate customs clearances, as well as determining the systems, methods, and procedures which customs must fulfill; participate in the study and development of projects related with duties, countervailing duties, and other foreign trade regulation and restriction measures; comply with agreements; order and carry out the verification of foreign trade merchandise in transport; in-transit verification of foreign vehicles; establish taxes on foreign trade and other taxes in accordance with the Law of General Taxes of Importation and Exportation and other ordinances, as well as the value in customs of merchandise based on the Customs Law (CL); establish the nature, state, origin, and other characteristics of merchandise, thus determining their tariff classification.

The Customs General Administration carries out its functions basing its operations in 49 customs, distributed as follows:

LOCATION	CUSTOMS		
NORTH BORDER	• Agua Prieta	• Matamoros	• Puerto Palomas
	• Ciudad Acuña	• Mexicali	• San Luis Río Colorado
	• Ciudad Camargo	• Naco	• Sonoyta
	• Ciudad Juárez	• Nogales	• Tecate
	• Ciudad Miguel Alemán	• Nuevo Laredo	• Tijuana
	• Ciudad Reynosa	• Ojinaga	
SOUTH BORDER	• Colombia	• Piedras Negras	
	• Ciudad Hidalgo	• Subteniente López	
SEA CUSTOMS	• Acapulco	• Ensenada	• Progreso
	• Altamira	• Guaymas	• Salina Cruz
	• Cancún	• La Paz	• Tampico
	• Ciudad del Carmen	• Lázaro Cárdenas	• Tuxpan
	• Coatzacoalcos	• Manzanillo	• Veracruz
	• Dos Bocas	• Mazatlán	
INTERIOR CUSTOMS	• Aeropuerto Internacional de la Ciudad de México	• Guanajuato	• Querétaro
	• Aguascalientes	• México	• Toluca
	• Chihuahua	• Monterrey	• Torreón
	• Guadalajara	• Puebla	

Customs offices in the country

Aduanas del país



Articles 1, 2, 7 section II and 8, section III of the Law of the Tax Administration Service, articles 1, 2, 10, 11, and 12 of the Interior Regulation of the Tax Administration Service.

See: http://www.aduanas.sat.gob.mx/aduana_mexico/2008/index.html and http://www.aduanas.gob.mx/aduana_mexico/2008/preguntas_frecuentes/145_104_06.html#1

Law of the Tax Administration Service:

<http://www.diputados.gob.mx/LeyesBiblio/pdf/93.pdf>

Interior Regulation of the Tax Administration Service:

http://www.cgeson.gob.mx/servicios/leyes/federales/reglamentos/Regl_Interior_Serv_%20Admon_Tributar.pdf

2. Customs Agent

Articles 40, 41, 50, 53, and 54 of the Customs Law (CL)

Customs agents and proxies, acting as legal representatives of importers and exporters, are the only persons who can carry out formalities, and all actions and notifications derived from customs clearances of merchandise.

The customs agent is responsible for the veracity and accuracy of data and information furnished; determining the merchandise's customs regime and its correct tariff classification; fulfilling other obligations in terms of non-tariff regulations and restrictions for such merchandise, in accordance with the Customs Law and other applicable laws and regulations.

There are exceptions to this responsibility: one of these is when such responsibility derives from the falsehood of data or documents furnished by the client, as long as the officer could not have known of the inaccuracy or falsehood when examining the merchandise; of the veracity of the declared value when keeping the value manifest and a copy of the document proving the guarantee in terms of estimated prices; when the omission of taxes is due to the application of a preferential tariff derived from a free trade agreement, as long as a duly documented copy of the certificate of origin is kept; ensures that the merchandise is protected by the certificate and complies with the applicable rules of origin. These exceptions are not valid when the customs agent uses a false Federal Taxpayers' Registry (RFC) number.

The customs agent is jointly liable for the payment of foreign trade taxes and other duties, as well as for countervailing duties caused by the introduction of merchandise into national territory, when he intervenes personally or through his deputies or authorized employees in customs clearance. Joint liability includes accessories, with the exception of fines.

As an exception of the above, individuals may carry out customs clearing in person, only in the following cases:

- When the value of the merchandise they import as international passengers, excluding the franchise, does not exceed the equivalent in Mexican currency of three thousand U.S.A. dollars,
- In cases of international passengers bringing computer equipments and their value, together with that of the rest of the goods, does not exceed four thousand U.S.A. dollars.

Refer to:

http://www.aduanas.sat.gob.mx/aduana_mexico/2007/Descargas/Guia_Importacion/GI03_06.pdf

Customs Law: <http://www.diputados.gob.mx/LeyesBiblio/pdf/12.pdf>

General Rules of Foreign Trade for 2008:
http://www.sat.gob.mx/sitio_internet/informacion_fiscal/legislacion/52_11565.html

3. Customs Regimes Applicable to Imports

Article 90 of the CL

The following customs regimes for the importation of merchandise exist in Mexico; these allow importers to use the one which best suits their needs, in accordance with the Customs Law (CL) and its Regulations (CLR):

- a. Definite Importation
- b. Temporary Imports:
 - To return abroad in the same condition
 - For the production, transformation, or repair in maquila programs or companies with export programs
- c. Fiscal Deposit
- d. Merchandise Transit
 - Internal
 - International
- e. Production, transformation, or repair in a fiscalized precinct
- f. Strategic Fiscalized Precinct

Customs agents must indicate in the import petition the customs regime they request for the merchandise and must state under oath their compliance with obligations and formalities.

a. Definite importation

Articles 96-101 of the CL

The entry of merchandise from abroad which is to remain in national territory for an unlimited period of time is considered as definite importation regime. Those who import under this regime must pay foreign trade taxes, and depending on the case, countervailing duties; they must also fulfill other obligations in terms of non-tariff regulations and restrictions, and formalities for its clearance.

It is possible to import through the procedure of revision in origin. Importing with this procedure has the following advantages:

- Speed in customs clearance since the petition is filled with information provided by the foreign supplier,
- No sanctions, since the importer only pays taxes and countervailing duties and its accessories without the application of sanctions,
- Spontaneous payment of omitted taxes and countervailing duties, which are calculated with a simplified method,
- Possibility of rectifying petitions in addition to those generally allowed.

If a person wishes to import by means of the revision in origin procedure, he must present an application to register in the registry of clearance of merchandise of companies before the Central Administration of Customs Operations.

b. Temporary Imports

Article 104 of the CL

Temporary imports of foreign merchandise do not pay foreign trade taxes or countervailing duties, except when they are introduced under a deferment or tariff return program, in the transfer and alienation among IMMEX companies, or if they introduce machinery or equipment but must fulfill the obligations in terms of non-tariff regulations and restrictions, as well as formalities for clearance.

Temporary import to return abroad in the same condition

Article 106 of the CL and 139 of the CLR

This type of temporary import forces merchandise to remain in the country for a limited period of time with specific ends and purposes; conditioning it to return overseas in the same condition and within the time frames established by the Law.

The temporary import of merchandise to be used in the maintenance and repair of temporary imported goods will be permitted, as long as it is incorporated to the goods and is not for automobiles, trucks, or buses.

Merchandise which would have been imported temporarily must return overseas in the specified time frames; if not, it will be considered illegal in the country, as it concluded the temporary import regime to which it was assigned.

Temporary Import for the production, transformation, or repair in maquila or export programs

Articles 108-112 of the CL

Maquiladoras and companies with export programs authorized by the Ministry of Economy may temporarily import merchandise to return abroad, after having been assigned to a process of production, transformation, or repair, as well as merchandise to return in the same condition in the terms of the authorized program, as long as they pay taxes in accordance with Title II of the Law of Income Tax and comply with control requirements established by the Ministry of Treasury by means of rules.

The temporary importation of fuel, lubricants, and other materials which will be consumed during the productive process of the export merchandise; raw materials, parts, and components which will be totally used to integrate export merchandise; as well as containers and packaging, will be subject to the payment of foreign trade taxes, in accordance to treaties which Mexico has signed and in the form established by means of rules, when it is brought into national territory under a duties deferment or return program.

Machinery and equipment that is temporarily imported under maquila or export programs are subject to the payment of the General Import Tax. Similarly, the introduction of merchandise under the regime of production, transformation, or repair in a fiscalized precinct, is subject to the condition that the totality of the merchandise is exported.

Merchandise that is imported temporarily by maquiladoras or Pitex companies (IMMEX Program nowadays), may remain in national territory for the periods of time authorized by the Customs Law.

c. Fiscal Deposit Regime

Articles 119, 120, and 123 of the CL and Rule 3.6.17 of the General Rules of Foreign Trade for 2008

The fiscal deposit regime consists of the storage of foreign or national merchandise in general deposit warehouses which may offer this service in accordance with the General Law of Organizations and Auxiliary Credit Activities, and that are also authorized by customs authorities. This regime is undertaken once foreign trade taxes and countervailing duties are determined.

This regime lets importers postpone the choice of a specific import regime and allows them to keep their merchandise stored as long as they want, provided that the storage contract is in force and the service is paid.

Merchandise can be extracted totally or partially for importation, previously paying taxes and countervailing duties, updated from the time of entry into the country until withdrawal from the warehouse. In fact, it can be returned overseas through internal transit. In addition, it allows for merchandise in deposit to be commercialized.

However, there are goods that cannot be assigned to this regime. These are: weapons and ammunition; explosive, radioactive, and polluting merchandise; diamonds, rubies, sapphires, emeralds, and natural or harvested pearls, or jewelry made with precious metals or with the abovementioned stones or pearls; jade, coral, ivory, amber; or vehicles.

d. Merchandise Transit Regime

Articles 124-134 of the CL and 167-170 of CLR

The transit regime consists of the transport of merchandise under fiscal control from one national customs office to another. This regime has two forms: internal transit of merchandise and international transit of merchandise.

The **transit of merchandise is considered internal** when it is done in accordance to the following:

- The entry customs office sends the foreign merchandise to the customs office that will be in charge of the clearance for its importation,
- The clearance customs sends national or nationalized merchandise to the exit customs for its exportation,
- The clearance customs sends the temporarily imported merchandise under the programs of maquila or export to the exit customs for its return abroad.

Regarding internal transit of imported goods of final consumption, the importer is required to register in the registry of importers and transit shall be done in trailers, semi-trailers, or containers transported by train, either of double or single stowage.

The **transit of merchandise is considered international** when it is done under one of the following assumptions:

- The entry customs office sends the exit customs the foreign merchandise that arrives in national territory with a foreign destination,
- National or nationalized merchandise are moved in foreign territory to re-enter national territory.

Both transits must be promoted by the customs agent, who formulates the corresponding petition provisionally determining taxes, applying the maximum rate indicated in the Law of General Taxes of Import and Export (the one corresponding to other taxes), as well as countervailing duties; he must also attach the documentation proving the fulfillment of non-tariff regulations and restrictions (permits, standards, or authorizations), including the document certifying the deposit made to guarantee taxes and countervailing duties which may arise due to foreign trade.

e. Regime of production, transformation, or repair in a fiscalized precinct

Article 135 of the CL and Rule 3.8.1 of the General Rules of Foreign Trade for 2008

The regime of production, transformation, or repair in a fiscalized precinct consists of the introduction of foreign or national merchandise into such buildings for its production, transformation, or repair, and to be returned abroad or to be definitely exported.

The introduction of foreign merchandise under this regime will be subject to the payment of the general import tax and the countervailing duties applicable to this regime, when they are part of a program of deferment or return of duties.

In no case can merchandise assigned to this regime be removed from the fiscalized precinct unless it is to return abroad or to be exported.

Customs authorities may authorize merchandise stored in fiscalized precincts to be the object of production, transformation, or repair. The return of products resulting from the processes of production, transformation, or repair will pay the general import tax when they are under a program of deferment or return of tariffs.

Companies that need machinery and equipment to produce, transform, or repair merchandise in a fiscalized precinct of foreign or national merchandise, may introduce it in the country as long as they pay the general import tax and comply with non-tariff regulations and restrictions applicable to this regime.

The list of fiscalized precincts authorized to produce, transform, or repair merchandise is found in Annex 20 of the General Rules of Foreign Trade for 2008.

Articles 14 and 14-A of the CL

SAT grants individuals concessions to render services of handling, storage, and custody of merchandise in buildings located within the fiscal precincts, in which case they will be known as fiscalized precincts.

SAT grants individuals that have the right to use a building adjacent to a fiscal precinct or of a building located inside or adjacent to a port precinct, authorization to render the services of handling, storage, and custody of merchandise, in which case the building where such services are rendered will be known as a fiscalized precinct.

f. Regime of Strategic Fiscalized Precinct

Articles 14-D, 135-A, 135-B, 135-C, and 135-D of the CL and Rules from 3.9.1 to 3.9.17 of the General Rules of Foreign Trade for 2008

Is the introduction, for a limited period of time, of foreign, national, or nationalized merchandise to the strategic fiscalized precincts to be the object of handling, storage, custody, exhibit, sale, distribution, production, transformation, or repair and subject to the following:

- Will not pay foreign trade taxes or countervailing duties, except if it is foreign merchandise,
- Will not be subject to the fulfillment of non-tariff regulations and restrictions or official Mexican standards, except those issued in areas of animal and plant sanitation, public health, environment, and national security,
- Waste resulting from the processes of production, transformation, or repair will not cause any taxes or countervailing duties,
- Unreturned waste will not cause taxes as long as it is proven that it has been destroyed in accordance with control regulations established by SAT through rules, determining taxes and countervailing duties.

From the date in which national or nationalized merchandise enters this regime, it will be considered as definitely exported. Foreign merchandise introduced in this regime may stay in strategic fiscalized precincts for a limited period of up to two years, except in the following cases, in which the period of time will be no greater than what is established in the Income Tax Law for its depreciation:

- Machinery, equipment, tools, instruments, molds, and spare parts to be used in the productive process,
- Equipment for pollution control, research or training, industrial security, telecommunication and computers, laboratory, measurement, product testing and quality control; as well as those used to handle materials directly related to the goods to be produced, transformed, or repaired, and others related to the productive process,
- Equipment for administrative development.

Merchandise introduced under this regime may be withdrawn from said precinct to:

- Import definitely, if they are foreign.
- Export definitely, if they are domestic.
- Return foreign merchandise to country of origin; national merchandise to re-enter the market when beneficiaries waive this regime.
- Import temporarily by maquiladoras or companies with export programs authorized by the Ministry of Economy.
- Assign to the fiscal deposit regime.

Products resulting from the processes of production, transformation, or repair that return overseas will be subject to the payment of the general export tax.

SAT may grant those persons that have the right of use of a building within or adjacent to a fiscal precinct (fiscalized or port precinct; in case of maritime, border, and interior -rail or aerial traffic- customs), the exclusive authorization for said buildings to introduce merchandise under the regime of strategic fiscalized precinct and the authorization for its administration. The authorized building will be known as strategic fiscalized precinct.

Refer to:

http://www.aduanas.sat.gob.mx/aduana_mexico/2007/Descargas/Guia_Importacion/GI03_06.pdf

Customs Law: <http://www.diputados.gob.mx/LeyesBiblio/pdf/12.pdf>

Regulations of the Customs Law:

http://www.diputados.gob.mx/LeyesBiblio/regley/Reg_LAdua.pdf

General Rules of Foreign Trade for 2008:

http://www.sat.gob.mx/sitio_internet/informacion_fiscal/legislacion/52_11565.html

Fiscal Code of the Federation: <http://www.diputados.gob.mx/LeyesBiblio/ref/cff.htm>

4. Goods Importation Procedure

The procedure to import is simple and is broadly summarized as follows:

- Present a petition to import merchandise; the import petition is the document that proves the legal existence of merchandise in Mexico;
- Attach to the petition the rest of the documents required by law, such as: commercial invoice, bill of lading, document proving the origin of merchandise, certificate of weight and volume, etc.;

- Pay the foreign trade taxes that are incurred, as well as expenses from storage, loading, unloading, transport of merchandise; or countervailing duties, if applicable, among others;
- Comply with non-tariff regulations and restrictions;
- Be registered in the importers' registry;
- Hire a customs agent or carry out the importation through a legal representative, as the case may be; and
- Activate the automated selection mechanism and deliver the merchandise to the other party so that it enters the country.

Customs Clearance

Customs clearance comprises all acts and formalities related to the entry and exit of merchandise to national territory, which according to different customs traffics and regimes, must be carried out in customs by customs authorities, consignees, trustees, owners, or holders in case of imports and the remittent in exports, as well as customs agents or customs proxies.

Customs Valuation

The valuation of merchandise for customs tax purposes is the starting point for the determination and payment of foreign trade taxes.

The customs value of merchandise is accepted to determine the tax base of the import tax. This is the merchandise's transaction value; in other words, the paid price as long as it is sold for export purposes to national territory by purchase made by the importer. It is understood that the paid price is the total payment made or to be made for the imported merchandise by the importer directly or indirectly to the seller or to his benefit.

Furthermore, to determine the transaction value, it will be adjusted to the CIF base (Cost, Insurance and Freight) except when requesting preferential tariff treatment derived from the rulings of any foreign trade treaty which Mexico has signed.

The Customs Law's chapter on the Tax Base determines that the customs value must be based, to the extent possible, on the price effectively paid or to be paid, which is generally indicated in the commercial invoice of the merchandise being valued. This conveniently adjusted price (if such is the case), is what is known as transaction value. If this value did not exist or the paid price (or price to be paid) could not be accepted as a valuation base, then the Agreement concerning the application of Article VII of the General Agreement of Customs and Commerce Tariffs, as well as our customs legislation, foresee other secondary valuation procedures.

The valuation criteria are the following:

1. Transaction value of merchandise,
2. Transaction value of similar merchandise,
3. Value of sales unit Price,
4. Reconstructed value of imported merchandise,
5. Procedure called "last resource" which will be determined by applying the methods indicated in numbers 1-4, in succeeding order and by exclusion, with more flexibility, in accordance with reasonable criteria, compatible with legal principles and rulings, and based on the data base available in the country.

Importers may seek consultation before customs authorities over the valuation method or the elements to determine the value in customs of merchandise. This consultation must be presented before the merchandise is imported, meet the requirements established in articles 18, 18-A, and 19 of the Fiscal Code of the Federation, and have all the information and documentation that allows the customs authority to issue a resolution.

Customs Law: <http://www.diputados.gob.mx/LeyesBiblio/pdf/12.pdf>

Regulations of the Customs Law:

http://www.diputados.gob.mx/LeyesBiblio/regley/Reg_LAdua.pdf

General Rules of Foreign Trade 2008:

http://www.sat.gob.mx/sitio_internet/informacion_fiscal/legislacion/52_11565.html

Fiscal Code of the Federation: <http://www.diputados.gob.mx/LeyesBiblio/ref/cff.htm>

Documents that must be presented in the importation

Article 36 of the CL

Persons that import or export merchandise must present in customs a petition in the official form approved by SHCP, which must be processed by the customs agent or legal representative once the necessary documentation is gathered, and must declare, among other, the following information:

- The customs regime chosen for the merchandise,
- Necessary information to determine and pay foreign trade taxes and, if applicable, countervailing duties,
- Information that proves the compliance of non-tariff regulations and restrictions (permits or authorizations or official standards), the origin of

merchandise, the weight or volume and individual identification, such as serial number, part, make, model, or technical specifications,

- The bar code, confidential number, or electronic signature that determines clearance by the customs agent.

In cases of importation, the following documentation must be attached in addition to the petition:

- The commercial invoice that supports the merchandise to be imported,
- The bill of lading in maritime traffic or aerial clearance certificate in aerial traffic, which must be re-validated by the transportation company or naval agent,
- The documents that prove the fulfillment of non-tariff regulations and restrictions (permits or authorizations),
- When the importation of merchandise is subject to the Ministry of Economy's import permit, it is mandatory to comply with each and every one of the terms established by this body in the respective permit, including among others, the customs agent authorized to exercise the permit, country of origin of the merchandise, characteristics, clearance customs office, etc.,
- The document that determines the origin of merchandise for purposes of the application of preferential tariffs, countervailing duties, limits, marking of country of origin and other applicable measures,
- The document that proves the guarantee determined by SHCP by means of rules when the declared value is less than the estimated price established by said ministry,
- The certificate of weight or volume issued by the certifying company authorized by SHCP through rules, in case of merchandise clearing in bulk in customs offices of maritime traffic, in the cases established by Regulations of the Customs Law,
- The information that allows the identification, analysis, and control indicated by SHCP by means of rules.

In the case of exportation of merchandise that would have been imported under the terms of article 86 of the CL, as well as merchandise that would have been imported temporarily and returns in the same condition, and that is liable of being identified individually, the person in charge must indicate the serial numbers, parts, make, model, or technical or commercial specifications needed to identify the merchandise and distinguish it from similar ones, when these data exist.

In spite of the above, maquiladoras or companies with export programs authorized by the Ministry of Economy, are not required to identify the merchandise when they make temporary importations; as long as the imported products are components, input and semi-finished products, foreseen in the corresponding program, when these companies decide to change to the definite importation regime they must

comply with the obligation to provide serial numbers of the merchandise they would have temporarily imported.

In export cases, the following must be attached in addition to the petition:

- The invoice or any document stating the commercial value of the merchandise,
- The documents proving the compliance of non-tariff regulations and restrictions for export that would have been issued in accordance with the Foreign Trade Law.

Regarding the compliance of non-tariff regulations and restrictions in the area of animal and plant sanitation, the same must be verified in the fiscal or fiscalized precinct of the customs indicated by the Tax Administration Service.

In case of imports and exports, the SAT may require that the petition or invoice (in case of consolidated petitions) be attached to customs documentation that is required in accordance with international agreements signed by Mexico.

See procedure to import merchandise:

http://www.aduanas.sat.gob.mx/aduana_mexico/2007/Descargas/Guia_Importacion/GI04_06.pdf

Customs Law: <http://www.diputados.gob.mx/LeyesBiblio/pdf/12.pdf>

Regulations of the Customs Law:

http://www.diputados.gob.mx/LeyesBiblio/regley/Reg_LAdua.pdf

5. Taxes that may be caused by the importation of goods

Taxes that may arise as a result of imports are the following:

- a. General Imports Tax (duty),
- b. Value-Added Tax (NAT),
- c. New Automobiles Tax (NAT),
- d. Special Tax over Production and Services (STPS)
- e. Customs Procedure Duty (CPD),
- f. Warehouse Duty (WD).

a. General Imports Tax

Articles 12 and 13 of the LCE, 51 and 52 of the CL and 1 and 2 of the Law of General Taxes of Importation and Exportation

Taxes that are caused by foreign trade are the following:

- General importation, in accordance to the rate of the respective law.
- General exportation, in accordance to the rate of the respective law.

Persons and companies that introduce or extract merchandise into/from the national territory, including those under a duties refund or deferment program in cases indicated in articles 63-A, 108, section III and 110 of the CL, are required to pay foreign trade taxes.

These taxes will be determined according to the tariff code where imported merchandise is classified, in accordance to the Tariff of the General Taxes of Importation and Exportation Law or Mexico's tariffs reduction schedule seen in any free trade agreement.

The General Import Tax may be:

- *Ad valorem*, when expressed as a percentage of the value in customs of the merchandise,
- Specific, when expressed in monetary terms by unit of measure, and
- Mixed, when it is a combination of the two above.

This Tax may adopt the following options:

- Duty-limit, when a duty level is established for a certain amount or value of the imported/exported merchandise, as well as a different rate for exports or imports of that merchandise that exceed said amount,
- Seasonal duty when they establish different duty levels for different times of the year, and
- All others indicated by the President.

Foreign Trade Law: <http://www.diputados.gob.mx/LeyesBiblio/pdf/28.pdf>

Customs Law: <http://www.diputados.gob.mx/LeyesBiblio/pdf/12.pdf>

General Taxes of Importation and Exportation Law:
<http://www.diputados.gob.mx/LeyesBiblio/pdf/LIGIE.pdf>

b. Value-Added Tax (VAT)

Article 1 and 27 of the Law of the VAT

VAT is caused by importation and has a rate of 15%. The value used for purposes of the general import tax will be considered for the importation of tangible goods; the amount of this tax and the rest that have to be paid due to importation,

including, if necessary, countervailing duties, will be added. In the border zone this tax is 10%.

Value-Added Tax Law: <http://www.diputados.gob.mx/LeyesBiblio/pdf/77.pdf>

Fiscal Code of the Federation: <http://www.diputados.gob.mx/LeyesBiblio/ref/cff.htm>

c. New Automobiles Tax (NAT)

Articles 1 and 2 of the Federal Law of the NAT

NAT is caused when automobiles are imported and is determined by applying the duty established by the NAT Law over the value considered for purposes of the general import tax; this amount and other taxes that have to be paid as a result of importation, except for VAT, will be added.

Federal Law of New Automobiles Tax (NAT):

<http://www.diputados.gob.mx/LeyesBiblio/pdf/123.pdf>

d. Special Tax over Production and Services (STPS)

Articles 1 and 2 of the Law of STPS

STPS is caused by the importation of certain goods such as: alcoholic beverages and beer, alcohol, denatured alcohol, and uncrystallizable honey, tobacco, gasoline, and diesel.

It is determined using the following rates:

- Alcoholic beverages and beer:
 - With an alcoholic strength of up to 14° GL: 25%
 - With an alcoholic strength of more than 14° and up to 20° GL: 30%
 - With an alcoholic strength of more than 20° GL: 50%
- Alcohol, denatured alcohol and uncrystallizable honey: 50%
- Tobacco
 - Cigarettes, Cigars, and other kinds of tobacco: 160%
 - Cigars and other kinds of tobacco that are entirely handmade: 30.4%
- Gasoline: the resulting rate for the month in terms of articles 2-A and 2-B of the Law of STPS
- Diesel: the resulting rate for the month in terms of articles 2-A and 2-B of the Law of STPS.

Special Tax over Production and Services Law:

<http://www.diputados.gob.mx/LeyesBiblio/pdf/78.pdf>

e. Customs Procedure Duty (CPD)

Articles 1 and 49 of the Federal Law on Duties and Rules 5.1.1-5.1.5 of the General Rules of Foreign Trade for 2008

The CPD is caused by customs operations which are made using a petition or corresponding customs document in terms of the Customs Law. To know the amount, refer to the Federal Law on Duties where amounts are updated every six months.

Federal Law on Duties: <http://www.diputados.gob.mx/LeyesBiblio/pdf/107.pdf>

f. Warehouse Duty

Articles 1 and 42 of the Federal Law on Duties

Storage costs in fiscal or fiscalized precincts for merchandise that will be imported is free for the first two days in aerial and land traffic; in maritime traffic, the period is five days, and the importer will only have to pay handling and custody services during that time.

After these deadlines right of storage duties in fiscal precincts of merchandise in deposit before customs, are those established in article 42 of the Federal Law on Duties. These amounts are periodically updated; it is suggested to see the modification resolutions in fiscal matters published in the Federal Daily Gazette.

Federal Law on Duties: <http://www.diputados.gob.mx/LeyesBiblio/pdf/107.pdf>

Refer to:

http://www.aduanas.sat.gob.mx/aduana_mexico/2007/A_ImpExp_Guia_Importacion.htm

6. Countervailing duties

Responsible authority: International Trade Practices Unit. Ministry of Economy.
www.economia.gob.mx

Countervailing duties must be paid in addition to the payment of the abovementioned taxes (depending on the case) for definite imported merchandise.

Definition

Articles 3, 29, 65, and 66 of the Foreign Trade Law (FTL)

Countervailing duties are those that apply to merchandise imported in conditions of price discrimination (prices below their cost) or subsidies (fiscal stimulus from other countries granted to export products), and that cause damage or threat of damage to the national industry, in accordance with the Foreign Trade Law.

They are a means of offsetting the effects of an unfair practice of international trade and are calculated using the difference between the normal value and the export price. They may be provisional (those imposed in a preliminary resolution) or definitive when applied in a final resolution.

Countervailing duties may only be imposed through a dumping or subsidies investigation, which is carried out by an established procedure of the Foreign Trade Law, its regulations, and the agreements ruled by the World Trade Organization. The responsible authority for this procedure is the International Trade Practices Unit of the Ministry of Economy. Importers, exporters, foreign governments, and any interested party may participate in this investigation.

Duration

They have a five year term or as long as it takes to offset the unfair trade practice.

Collection

The Ministry of Treasury will be responsible for collecting countervailing duties and in case of a provisional duty, will accept guarantees on its payment, in accordance with the Fiscal Code of the Federation.

Importers of an identical or similar merchandise to that which must pay a provisional or definite countervailing duty, are not obligated to pay it if they prove that the country of origin is different from that of the merchandise subject to a countervailing duty.

Merchandise subject to countervailing duties

The Ministry of Economy publishes in the Official Gazette a notice indicating the tariff codes of the General Taxes of Importation and Exportation Law, which classifies merchandise subject to countervailing duties and safeguard measures payment (Agreement on Countervailing Duties and Safeguard Measures). The last one is dated January 3, 2006.

Countervailing duties imposed afterward, can be consulted in the Official Gazette or directly at the International Trade Practices Unit of the Ministry of Economy.

Refer to: <http://www.economia.gob.mx/?P=395>

Foreign Trade Law: <http://www.diputados.gob.mx/LeyesBiblio/pdf/28.pdf>

Regulations of the Foreign Trade Law:

http://www.diputados.gob.mx/LeyesBiblio/regley/Reg_LComExt.pdf

Agreement on Countervailing Duties and Safeguard Measures:

<http://www.economia.gob.mx/pics/p/p485/AO24.pdf>

7. Non-tariff regulations and restrictions

Responsible authority: Foreign Trade Office. Ministry of Economy, together with other State Ministries.

www.economia.gob.mx

Articles 16, 17, 19, and 20 of the Foreign Trade Law (FTL)

Non-tariff regulations and restrictions must be complied with in addition to payment of diverse taxes and countervailing duties for the importation of merchandise.

These measures are established through agreements issued by the Ministry of Economy, or jointly with other authorities (ministries of agriculture, environment and natural resources, defense, health, education, etc.) and are established in the following cases:

- To correct balance of payments imbalances,
- To regulate the entry of used or waste products, or those that do not have a significant market in their country of origin,
- In accordance with international treaties and agreements signed by Mexico,
- In response to restrictions unilaterally applied by other countries to Mexican exports,
- When it is necessary to avoid the entry into the internal market of merchandise in conditions that imply unfair trade competition practices,
- In situations not foreseen by Mexican Official Standards in matters of national security, public health, phyto- sanitation, or ecology.

These measures consist of prior permits, authorizations, maximum quotas, country of origin marking, certifications, official standards, and other instruments that are deemed adequate for the achievement of commercial policy. Among these measures are the following:

- a. Ministry of Economy.** Quota certificate, import license for definite or temporary import, or fiscal deposit for new or used merchandise; automatic notice, IMMEX registration, etc.

Issuance of Quota Certificate obtained by Direct Assignment:

<http://www.cofemer.gob.mx/wwwroot/BuscadorRFTS/DatosGenerales.asp?homoclave=SE-03-042&modalidad=1&identificador=649600&SIGLAS=SE>

Direct Assignment of Import and Export Quota:

<http://www.cofemer.gob.mx/wwwroot/BuscadorRFTS/DatosGenerales.asp?homoclave=SE-03-033&modalidad=2&identificador=617470&SIGLAS=SE>

Application for Permit of Import or Export and of Modifications:

<http://www.cofemer.gob.mx/wwwroot/BuscadorRFTS/DatosGenerales.asp?homoclave=SE-03-060&modalidad=0&identificador=832486&SIGLAS=SE>

Automatic Notice of Import and Export or New Product Certificate:

<http://www.cofemer.gob.mx/wwwroot/BuscadorRFTS/DatosGenerales.asp?homoclave=SE-03-073&modalidad=0&identificador=1257627&SIGLAS=SE>

Authorization or expansion of the program of manufacturing, maquiladora, and export services industry program (IMMEX):

<http://www.cofemer.gob.mx/wwwroot/BuscadorRFTS/DatosGenerales.asp?homoclave=SE-03-074&modalidad=1&identificador=1232123&SIGLAS=SE>

b. Ministry of Agriculture, Livestock, Rural Development, Fishing, and Food

Phyto-sanitary certificate of importation:

<http://www.cofemer.gob.mx/wwwroot/BuscadorRFTS/DatosGenerales.asp?homoclave=SENASICA-03-007&identificador=855422&SIGLAS=SENASICA>

Zoo-sanitary certificate of importation:

<http://www.cofemer.gob.mx/wwwroot/BuscadorRFTS/DatosGenerales.asp?homoclave=SENASICA-03-008&modalidad=0&identificador=850777&SIGLAS=SENASICA>

In origin verification request:

<http://www.cofemer.gob.mx/wwwroot/BuscadorRFTS/DatosGenerales.asp?homoclave=SENASICA-02-014&modalidad=0&identificador=635660&SIGLAS=SENASICA>

Accreditation of manufacturing companies, formulators, maquila formulators, maquiladoras and importers of agricultural pesticides:

<http://www.cofemer.gob.mx/wwwroot/BuscadorRFTS/DatosGenerales.asp?homoclave=SENASICA-04-015&modalidad=0&identificador=654790&SIGLAS=SENASICA>

c. Ministry of Health

Products Importation Prior Sanitary Permit:

<http://www.cofemer.gob.mx/wwwroot/BuscadorRFTS/DatosGenerales.asp?homoclave=COFEPRIS-01-002&modalidad=1&identificador=855506&SIGLAS=COFEPRIS>

Sanitary Registration of allopathic medicines, vaccines, and hemo-derivatives:

<http://www.cofemer.gob.mx/wwwroot/BuscadorRFTS/DatosGenerales.asp?homoclave=COFEPRIS-04-004&modalidad=1&identificador=866754&SIGLAS=COFEPRIS>

Samples Import Prior Sanitary Permit:

<http://www.apps.cofemer.gob.mx/buscador/ficha.asp?homoclave=COFEPRIS-01-003>

Prior Notice of Importation:

http://www.economia-snci.gob.mx/sphp_pages/faqs/mex/ley_bioterrorismo.php

d. Ministry of the Environment and Natural Resources

Authorization to import pesticides, plant nutrients, and toxic or dangerous substances or materials:

<http://www.cofemer.gob.mx/wwwroot/BuscadorRFTS/DatosGenerales.asp?homoclave=SEMARNAT-07-015&modalidad=1&identificador=932012&SIGLAS=SEMARNAT>

Authorization to import and export dangerous waste:

<http://www.cofemer.gob.mx/wwwroot/BuscadorRFTS/DatosGenerales.asp?homoclave=SEMARNAT-07-029&modalidad=1&identificador=1297344&SIGLAS=SEMARNAT>

Notice of importation of genetically modified organisms to be used only for industrial or commercial purposes:

<http://www.cofemer.gob.mx/wwwroot/BuscadorRFTS/DatosGenerales.asp?homoclave=SEMARNAT-04-018&modalidad=0&identificador=1416449&SIGLAS=SEMARNAT>

Phyto-sanitary certificate of importation:

<http://www.cofemer.gob.mx/wwwroot/BuscadorRFTS/DatosGenerales.asp?homoclave=SEMARNAT-03-033&modalidad=0&identificador=410049&SIGLAS=SEMARNAT>

Importation of wildlife, parts and derivatives:

<http://www.cofemer.gob.mx/wwwroot/BuscadorRFTS/DatosGenerales.asp?homoclave=SEMARNAT-08-030&modalidad=3&identificador=699162&SIGLAS=SEMARNAT>

Report of use of the authorizations of import and return of dangerous waste:

<http://www.cofemer.gob.mx/wwwroot/BuscadorRFTS/DatosGenerales.asp?homoclave=SEMARNAT-07-030&modalidad=1&identificador=1297593&SIGLAS=SEMARNAT>

Agreement that entrusts powers to federal delegates of the Ministry of the Environment and Natural Resources to issue the phyto-sanitary certificates of importation of the following forestry products or sub-products:

http://www.dof.gob.mx/nota_to_imagen_fs.php?cod_diario=213113&fecha=&pagina=20&seccion=1

- e. **Inter-Ministerial Commission for the Control of the Process and Use of Pesticides, Fertilizers, and Toxic Substances (CICOPLAFEST in Spanish).** Authorization, ecological guide, or regulations.

Regulations: <http://www.ine.gob.mx/publicaciones/folletos/97/97.html>

PLAFEST Procedure Format:

<http://www.cofepris.gob.mx/cis/tramites/doc/nf/FormatoPlafest.zip>

- f. **Ministry of Defense.** Authorizations for the importation of guns, ammunition, and explosive materials.

Ordinary permit for the importation of raw materials supported by a general permit for individuals and organizations:

<http://tramilnet.sedena.gob.mx/portal/informacion/tramite0.php?idtramite=16&tramite=PERMISO%20ORDINARIO%20PARA%20LA%20IMPORTACION%20DE%20MATERIA%20PRIMA%20AL%20AMPARO%20DE%20UN%20PERMISO%20GENERAL,%20PARA%20PERSONAS%20FISICAS%20Y%20MORALES>

Extraordinary permit for the importation of weapons, ammunition, and varied materials for individuals and organizations:

<http://tramilnet.sedena.gob.mx/portal/informacion/tramite0.php?idtramite=124&tramite=PERMISO%20EXTRAORDINARIO%20PARA%20LA%20IMPORTACION%20DE%20ARMAMENTO,%20MUNICIONES%20Y%20DIVERSO%20MATERIAL%20PARA%20PERSONAS%20FISICAS%20Y%20MORALES>

- g. **Ministry of the Interior.** Permit for importation or exportation.

- h. Ministry of Public Education.** Authorization for importation or exportation.

Ruling of definite or temporary importation of works of art:

<http://www.cofemer.gob.mx/wwwroot/BuscadorRFTS/DatosGenerales.asp?homoclave=INBA-00-021&modalidad=0&identificador=861130&SIGLAS=INBA>

- i. Ministry of Energy.** Authorization for temporary or definite importation.

Grant permit of importation of electrical energy:

<http://www.cofemer.gob.mx/wwwroot/BuscadorRFTS/DatosGenerales.asp?homoclave=CRE-00-022&modalidad=0&identificador=408134&SIGLAS=CRE>

Identification of non-tariff regulations and restrictions

In order to identify the non-tariff regulations and restrictions imposed on products of definite importation, the importer must consult the corresponding tariff codes in the agreements issued by the ministries of state.

The customs agent is in charge of informing the tariff code of the merchandise and the applicable non-tariff restrictions or regulations.

Import licencing (prior permit)

Articles 21 and 22 of the FTL

An import-export license is a non-tariff regulation used to import certain merchandise that is controlled. It is an instrument used by the Ministry of Economy in cases of importing and exporting critical goods, so that it may ensure national security issues and population safety and health, and control the exploitation of natural resources and conserve flora and fauna by regulating the entrance of merchandise.

Merchandise subject to the requirement of an import license, according to its tariff classification, is found in the agreement that establishes the classification and codification of merchandise which importation and exportation is subject to the requirement of an import-export license from the Ministry of Economy (permits agreement).

In the licenses, the Ministry of Economy indicates the characteristics, conditions, and time limits they will be subject to, as well as the value and quantity or volume of the merchandise to be imported, and the information or requirements that are

needed; modifications or extensions may be requested. For control purposes, the licenses are issued in security paper or in an intelligent card for electronic use.

Licenses will not be used to restrict:

- The importation of merchandise when it is necessary to impede the entry in the internal market of merchandise in conditions that imply unfair trade practices, or
- The exportation, importation, circulation, or transit of merchandise in order to comply with regulations in matters of Mexican Official Standards.

Refer to Licenses Agreement: <http://www.economia.gob.mx/pics/p/p437/A60.pdf>

Quotas

Articles 23 and 24 of the FTL

Mexico established the quota certificate in order to control the quotas negotiated in free trade agreements. Quotas are an amount of merchandise that will enter under a preferential tariff (quota tariff) during a fixed amount of time; in other words, they will be in force as established in the quota certificate. These certificates are issued by the Ministry of Economy in security paper and are granted to companies through public auctions or direct assignment.

Refer to existing quotas in the Quota Agreements issued in the Official Gazette or at the Foreign Trade Office of the Ministry of Economy.

Refer to quota in: <http://www.economia.gob.mx/?P=470>

Foreign Trade Law: <http://www.diputados.gob.mx/LeyesBiblio/pdf/28.pdf>

Regulations of the Foreign Trade Law:

http://www.diputados.gob.mx/LeyesBiblio/regley/Reg_LComExt.pdf

Mexican Official Standards (MOS)

Responsible authority: Ministry of Economy.

www.economia.gob.mx

Article 26 of the FTL, and 52, 53 of the Metrology and Standards Federal Law

MOS are non-tariff regulations and restrictions used to ensure international quality standards.

The purpose of MOS is to establish the terminology, classification, characteristics, qualities, measures, technical specifications, samples, and test methods that products, services, or processes must comply with if they have the potential to pose a risk to people's safety or damage human, animal, and vegetable health, the environment, or our natural resources.

When required, the importation, circulation, or transit of merchandise will be subject to Mexican Official Standards in accordance with applicable law. Standardization regulations for import, circulation, or transit of merchandise different from Mexican Official Standards may not be established.

All products, processes, methods, installations, services, or activities must comply with Mexican Official Standards.

When products or services have to meet a particular Mexican Official Standard, comparable products or services to be imported must also meet the specifications established in this standard.

Before a merchandise subject to compliance with a MOS enters the country, the importer must have the corresponding certificate or authorization from the appropriate government entity regulating the product or service.

Through the General Standards Office, the Ministry of Economy will determine those Mexican Official Standards which customs authorities must enforce at the point of entry of the country. Non-compliance with MOS is sanctioned in accordance with the Metrology and Standards Federal Law and the Customs Law.

Merchandise subject to compliance with MOS, depending on its tariff classification, is included in the agreement that identifies the tariff codes of the General Taxes of Importation and Exportation Law, which classifies merchandise subject to compliance with Mexican Official Standards at the points of entry and exit of the country (MOS Agreement).

Foreign Trade Law: <http://www.diputados.gob.mx/LeyesBiblio/pdf/28.pdf>

Metrology and Standards Federal Law:
<http://www.diputados.gob.mx/LeyesBiblio/pdf/130.pdf>

Customs Law: <http://www.diputados.gob.mx/LeyesBiblio/pdf/12.pdf>

MOS Agreement: http://www.economia.gob.mx/pics/p/p437/A62_b.pdf

Catalogue of Mexican Official Standards: <http://www.economia-noms.gob.mx/>

8. Importers' Registry

Article 59, Section IV of the CL

People or organizations that wish to introduce merchandise into the country must enroll in the importers' registry. To do so, they must be up to date with tax obligations and prove to the customs authority that they are properly enrolled in the Federal Taxpayers' Registry, among others.

Taxpayers may register in the importers' registry if they:

- Pay taxes under the general regime of the Income Tax Law,
- Import products based on decrees proclaimed by the President, which establish the tariff transition regime to the general commercial regime, or of a border region regime,
- Are exclusively engaged in agricultural, livestock, fishing, forestry activities, and cargo or passengers land transportation, which according to the Income Tax Law are obliged to pay taxes in accordance with the simplified regime, and, whose income in the previous period exceeded 500,000 pesos,
- Are non-taxing organizations.

Taxpayers different from those mentioned above are not required to enroll in the importers' registry, as long as the merchandise they seek to import is for their activities or that will not be commercialized.

Consult Importers' Registry: <http://www.padrondeimportadores.com.mx/padron.asp>

Consult:

http://www.aduanas.sat.gob.mx/aduana_mexico/2007/A_ImpExp_Guia_Importacion.htm

Customs Law: <http://www.diputados.gob.mx/LeyesBiblio/pdf/12.pdf>

V. EXPORT PROMOTION PROGRAMS

Responsible authority: Foreign Trade Office. Ministry of Economy.

www.economia.gob.mx

1. Manufacturing, Maquiladora, and Export Services Industries Program (IMMEX Program)

Given the competition for global markets, it is essential to provide Mexican companies with all possible measures of support, which will enable them to successfully position their products and services in the international trade arena. Therefore, the Ministry of Economy published on November 1, 2006 the Decree for the Promotion of the Manufacturing, Maquiladora, and Export Services Industries Program (IMMEX Decree), which is an essential part of the trade facilitation policy launched by the Ministry of Economy, in order to strengthen competitiveness of the Mexican export sector.

In this Decree, the programs for the Promotion and Operation of the Maquila Export Industry (MAQUILA, in Spanish) and the one establishing Programs for Temporary Importation to Produce Export Products (PITEX, in Spanish), are integrated in a single legal instrument; together these companies represent 85% of our country's manufactured exports. However, it is important to stress that the IMMEX Decree is more than a new regulatory framework; its rulings and scope turn it into an instrument for facilitation and promotion of foreign trade operations, and aside from reducing costs related with this type of operations, allows for the adoption of new ways of doing business.

The IMMEX Decree includes a series of measures, which are grouped into four main headings: a) New ways of doing business, b) Administrative benefits, c) Equality and fiscal neutrality, and d) Control and verification.

New ways of doing business

Regarding **new ways of doing business** and the operation of companies linked to exportation, the IMMEX Decree makes it possible to place Mexico as a protagonist in the services world market, as well as an attractive destination for the development of new projects linked to this activity.

The above is true by virtue of the fact that this instrument not only considers services related to the production of goods, but also activities that are pure services, such as: fashion, design, re-engineering, re-manufacturing, and all those related to software, and in general, information technologies. Regarding the latter, the so-called Business Process Outsourcing (BPO's) stand out, and include services of administration, accounting, sub-contracting, tests, data processing, and client service (call centers), among others.

Furthermore, this Decree considers the modalities of outsourcing and sub-manufacturing, which will allow small and medium companies to position themselves in export markets, thus creating a network of product and services suppliers related to foreign trade; companies that own a brand, with or without a production plant, may delegate the development of complete industrial processes and/or services to companies without a program.

Administrative Benefits

In terms of **administrative benefits**, the new Decree largely simplifies procedures, requirements, and formats related to the authorization, expansion, and annual report of operations, and as a result companies will be able to access, operate, and manage their programs in a fast and simple way.

The Decree includes, among others, the following administrative measures:

- The annual report of operations has only two fields: total sales and total exports; unlike the previous scheme where the report had 30 large fields.
- Only the commercial description for machinery and equipment and the tariff classification for raw materials are requested in the authorization procedure.
- Procedure steps are reduced from 29 to 16.
- The export commitment is reduced from 30 percent to 10 percent of total sales, in order to import machinery and equipment.
- The terms for critical merchandise (except for services for textile and garments, 6 months) are extended to 12 months; as well as the immediate elimination of varied merchandise (vehicles, triplay, etc.) and starting in 2008, the rest (except tires).
- The notice of sub-manufacturing will be done by electronic means.

Equality and fiscal neutrality

In fiscal terms, all companies will have the same treatment with a zero rate VAT in the billing of their services. In addition, IMMEX companies may obtain in a maximum term of twenty days, the refund for positive balances of VAT and of five days in case of certified companies, without having to register as an ALTEX company.

In case of the Income Tax, the new Decree offers fiscal neutrality; it shields the treatment (in terms of this tax) only received by maquiladora companies that operate as a related part of a resident overseas.

Control and Verification

With the IMMEX Decree, fiscal authorities have better tools to **control and follow-up** the operations done in this scheme; this is precisely to add more certainty to our country's export sector and avoid abuses on the programs.

Costs derived from tax collection are absorbed mainly by the government and it is easy for individuals to comply with them. These controls are not an additional burden on companies and are virtual, in other words they are done electronically and require minimum information from the individual.

To date, the IMMEX scheme benefits close to 6,500 companies that carry out foreign trade operations. These firms employ 54 percent of the employees of the manufacturing industry, which means they generate employment for 2.4 million people.

Program Objective

Promote and grant benefits to manufacturing, maquiladora, and export services companies, in order to carry out industrial or services processes to export merchandise and for the rendering of export services.

Beneficiaries

Legal entities residing within the national territory and are described by section II of article 9 of the Fiscal Code of the Federation, which pay taxes in accordance to Title II of the Income Tax Law.

Benefits

Companies under this Program may temporarily import the following goods to carry out the manufacturing processes performed thereby and such goods may remain in the country for the period of time set forth below:

1. A period no longer than eighteen months for the following goods:
 - a) Fuels, lubricants and other materials to be used in the production of exported goods,
 - b) Raw materials, parts and components to be fully incorporated into exported goods,
 - c) Containers and packaging materials,
 - d) Labels and brochures.

When the goods listed herein are included in Appendix I Bis of the IMMEX Decree, the term to remain in the country shall be no longer than six months,

and those included in Appendices II and III of the IMMEX Decree, shall be no longer than twelve months.

For the abovementioned goods, when listed in Appendix III, the term to remain in the country shall be no longer than six months in the event those goods are used in the activities listed in Article 5, section III of the Decree.

2. For trailer boxes and containers, a period no longer than two years.
3. The following goods and materials may remain in the country for as long as the Program is in effect:
 - a) Machinery, equipment, tools, molds, and spare parts for productive processes,
 - b) Pollution control equipment and devices used in research and training; industrial safety equipment; telecommunications and computer equipment; laboratory equipment; measuring equipment; quality control and testing equipment; and such equipment and devices as may be used in handling materials directly related to exported goods and others linked to productive processes,
 - c) Equipment for administrative development.

The goods listed in Appendix I hereof may not be imported under the Program.

In authorizing a Program, the Ministry may simultaneously approve a Sector Promotion Program relevant to the goods for exports manufactured or the services rendered thereby while meeting the applicable regulatory standards.

Companies may transfer goods imported on a temporary basis under the relevant Program to other companies under a Program or to other companies registered as operating under its Program, to carry out outsourcing processes for exports, directly and exclusively related to purposes specified in the authorized Program, provided such companies meet the provisions of the IMMEX Decree and the General Foreign Trade Rules set forth by SAT.

Once the authorization for a Program is reported, the Ministry shall electronically issue the data allowing for the identification of the corresponding company so that SAT may automatically enter such data in the importer registry under the Customs Law.

Companies under a Program may choose to be covered by the benefits set forth by SAT via the General Foreign Trade Rules to be able to control the inventories thereof with the automated system indicated in the Customs Law.

Modalities of the Program

1. Holding company, when the manufacturing operations of a certified company denominated as a holding company, and one or more holding companies, are integrated in the same program;
2. Industrial, when an industrial process of manufacture or transformation of merchandise destined to export is carried out;
3. Services, when services are done to export merchandise or export services are rendered, only for the development of the activities which the Ministry of Economy determines, prior opinion of the Ministry of Treasury;
4. Shelter, when one or several foreign companies lend it the technology and production material, without the latter operating the Program directly; and
5. Outsourcing, when a certified company that does not have a production plant, carries out its manufacturing operations through third parties that it registers in its Program.

Duration

The program will be in effect as long as it continues meeting all requirements and obligations established in the IMMEX Decree.

Procedures

The Ministry of Economy will authorize a Program to companies that comply with stipulations of the IMMEX Decree. Interested parties must present an application before the Ministry of Economy in the established formats.

The Ministry of Economy must issue a resolution to the application of a Program within a term of fifteen business days, counted starting from the day after receiving the application. The term for the rest of the procedures related to a Program is ten business days. If no resolution has been issued in these periods, it will be understood that the Ministry resolved favorably and will issue the corresponding resolution.

Procedures related to this Program are at no charge and can be submitted in the state offices of the Ministry of Economy, which are authorized to assist with procedures related to IMMEX Programs in all their modalities.

Consult procedures: http://www.economia.gob.mx/?P=tra_immex

Consult IMMEX regulations: http://www.economia.gob.mx/?P=norm_immex

For more information: <http://www.siicex.gob.mx>

Consult IMMEX Decree: <http://www.siicex.gob.mx/portalSiicex/Mes/2006.htm>

2. Foreign Trade Companies (ECEX)

Definition

The Foreign Trade Companies (ECEX) Registration is a promotion instrument by means of which commercialization companies may access international markets with administrative terms and development banking financial support.

Beneficiaries

Companies whose activity is the commercialization of products abroad, and who meet the requirements described in the Decree for Establishing Foreign Trade Companies (ECEX Decree), as published in the Daily Gazette of the Federation on April 11, 1997.

Benefits

- Automatic issuance of the Highly Exporting Companies Certificate (ALTEX),
- 50% discount by *Promexico* in the cost of non-financial products and services, as determined by such institution through its integral support program for these companies,
- The possibility of receiving financial assistance and support by Nacional Financiera for completing the company's projects, as well as specialized training services and technical assistance. This benefit will be granted to both ECEX companies and their suppliers.

Modalities

1. Export consolidator. Company whose main activity, as set forth in its articles of incorporation, is the integration and consolidation of goods to be exported, with a minimum subscribed and paid-in capital stock of \$2,000,000 Pesos, and that exports the goods of at least five producer companies.
2. Export promoter. Company whose main activity, as set forth in its articles of incorporation, is the commercialization of goods in international markets, with a minimum subscribed and paid-in capital stock of \$200,000 Pesos, and that exports the goods of at least three producer companies.

Duration

The duration of the Foreign Trade Company Registration will be indefinite and subject to compliance with the provisions contained in the ECEX Decree.

Commitments

Once the ECEX Registration is obtained, holders must fulfill the following commitments:

- Keeping inventory control as specified in the Customs Law and in the Foreign Trade Miscellaneous Resolution,
- Maintaining the capital stock as it was authorized,
- Conducting exports on its own during the first regular fiscal year after the registration date at the latest, for a minimum amount of 250 thousand dollars, for promoter companies, and 3 million dollars for consolidators,
- Submitting a plan of activities, when registration is requested, during the first 15 days of January every year, indicating the activities to be carried out according to the mode,
- Submitting the annual foreign trade transactions report, in magnetic media or through the Internet, at the latest on May every year, using the established format and delivering a copy to the corresponding Local Fiscal Audit Office of the Ministry of Treasury.

Reports

ECEX companies will report to the Ministry of Economy all the foreign trade transactions conducted during the previous year under the Program, by submitting the Annual Report of Transactions under Export Promotions Programs form via Internet. This report must be filed, at the latest on the last business day of May, and a copy must be delivered at the corresponding Local Fiscal Audit Office of the Ministry of Treasury.

Procedures

The procedures associated with this Program are at no charge and may be carried out in the Federal Offices and Deputy Regional Offices of the Ministry of Economy, which have the authority to serve the procedures for Foreign Trade Companies in every modality.

For detailed information on this procedure, visit: <http://www.economia.gob.mx/?P=738>

Consult ECEX regulation: <http://www.economia.gob.mx/?P=737>

For more information, visit: <http://www.siicex.gob.mx>

Consult ECEX Decree: <http://www.economia.gob.mx/pics/p/p1376/D29.pdf>

3. Highly Exporting Companies (ALTEX)

Definition

The Highly Exporting Companies (ALTEX) Program is a promotion instrument for exporting Mexican products, intended to support the operation of such entities with tax and administrative benefits.

Beneficiaries

1. Country-resident individuals or companies who produce non-oil goods and who are capable of evidencing direct exports for two million dollars or for the equivalent to 40% of their total sales' worth within a one-year period;
2. Country-resident individuals or companies who produce non-oil goods who are capable of evidencing annual indirect exports equivalent to 50% of their total sales;
3. Foreign Trade Companies (ECEX) with an effective registration issued by the Ministry of Economy;
4. Direct and indirect exporters may meet the export requirement of 40% or two million dollars, by adding both types of exporting.

Benefits

1. VAT favorable balances refund in a period of approximately twenty business days;
2. Free access to the Trade Information System, managed by the Ministry of Economy;
3. Exemption of the second inspection requirement for export goods at the export customs station, whenever such goods have previously received clearance in an interior customs station; and
4. Faculty to appoint a customs agent for several customs and various products.

In order to have these benefits, this program's users must file with the corresponding Federal Public Administration Agencies, a copy of the ALTEX Certificate issued by this Ministry of Economy, and if the case, the ratification of its duration.

Duration

The ALTEX Certificate (a document that identifies the holders of this program) will have an indefinite duration as long as its holder submits, on a timely manner, the annual foreign trade transactions report (at the latest on May every year), and meets the export requirements as set forth in the Resolution for the Promotion and Operation of Highly Exporting Companies (ALTEX Decree).

Commitments

- Evidencing that they meet the minimum export requirements, and
- Submitting, in a timely manner, their annual foreign trade transactions report.

Reports

Holders of ALTEX Certificates are bound to submit, on the last business day of May every year, at the latest, a report on the foreign trade transactions they conducted during the previous fiscal year. This report must be submitted via Internet.

Duration

The ALTEX Registration, and accordingly, the ALTEX Certificate, will automatically be suspended if the report mentioned above has not been submitted by June every year. However, this will not impair a new request of it.

Procedures

The procedures associated with this program must be carried out at the public service window in the Offices and Deputy Regional Offices of the Ministry of Economy.

If the company owns various plants, the report may be filed with the office of its choice, as long as that office pertains to one of its plants. Any further procedure will be conducted at the office where the application was submitted.

For detailed information on this procedure, visit:
<http://www.economia.gob.mx/?P=751>

Consult ALTEX regulation: <http://www.economia.gob.mx/?P=750>

For more information, refer to: <http://www.siiex.gob.mx>

Consult ALTEX Decree: <http://www.economia.gob.mx/pics/p/p1376/D27.pdf>

4. Import Tax Refund to Exporters (DRAWBACK)

Description

The Program for Import Tax Refund to Exporters allows beneficiaries to recover the general imports tax caused by imports of inputs, raw materials, parts and components, packing and bottles, fuels, lubricants, and other materials built into the exported product, or by the import of goods that are returned in the same condition, or goods to be repaired or altered.

The amount of the refund is determined by dividing the amount paid on account of the general import duty in Mexican currency by the Peso-US Dollar exchange rate in force on the date of payment. The result of this operation is multiplied times the exchange rate in force on the date when the refund is authorized.

The amount of the import tax refund is deposited by the Ministry of Treasury to the program beneficiary's account with any of the authorized banking institutions. The North America Free Trade Agreement (NAFTA) sets forth, as of the eighth year of its duration (2001), the modification of tax refunding mechanisms (DRAWBACK) in member countries, in order to prevent the distortion of the tariff preferences agreed in the same.

Therefore, as of 2001, the Program for Import Tax Refund to Exporters is subject to the following:

- a) The formula set up in Article 303 of NAFTA is applied to non-originating inputs that are built into the goods to be exported to the US or Canada. According to the formula, only the lower amount of tariffs between the tariffs for inputs imported to Mexico and the tariffs paid in the US or Canada for the finished product may be refunded.
- b) Tariffs paid for the following will be refunded without applying the formula:
 - Originating inputs imported to Mexico from North America built into the goods exported to the US or Canada.
 - Inputs imported to Mexico from any country, added to goods exported to countries other than the NAFTA members.

The legal rationale for this program is set forth in the Resolution that Sets the Import Tax Refund to Exporters, published in the Daily Gazette of the Federation on May 11, 1995, and its last amendment in December 29, 2000 (DRAWBACK Decree).

Free Trade Agreements with the European Union (FTAEU) and the European Free Trade Association (FTAEFTA), Title IV, Article 14 of the FTAEU and Title IV, Article 15 of the FTAEFTA provide for the prohibition of import tax refund or exemption for

non-originating materials used in the manufacturing of those goods exported to the agreements' country members, for which a test of origin has been issued or prepared.

Therefore, as of 2003, the Import Tax Refund to Exporters Program is subject to the following restrictions:

- a) Non-originating goods: The company must indicate whether the tariff preference provided by the agreements when exporting some of its products to the FTAEU or FTAEFTA Regions was used or not.
 - If affirmative, no import duties will be refunded.
 - If negative, 100% of paid duties will be refunded.

The document to evidence if the company has used or not the tariff preference will be the export declaration itself, where the Ministry of Treasury will include a code or identifier (not yet published). While the Ministry of Treasury publishes the corresponding rule, the company's statement under oath will be enough, indicating that the tariff preference upon the entrance of such goods to any country member of the FTAEU and FTAEFTA was not used.

- b) Originating goods: Whenever the goods originate in the FTAEU region and the exported goods' destination is the same FTAEU region, or if they originate in the FTAEFTA region and are exported to the same FTAEFTA region, 100% of paid duties will be refunded.

Beneficiaries

Country-resident companies who meet the requirements set forth in the DRAWBACK Decree.

Criteria

The companies intending to obtain the tax refund must submit their application as follows:

- The application must be filled out in the Drawback.exe program, which can be obtained in the following website: www.economia.gob.mx, or directly in the public service windows, delivering three high-density 3.5" magnetic disks for recording it. The application must be submitted in diskette and accompanied by the original print and a copy of same, as well as by a copy of the documents indicated in the form.
- The application must be submitted in the following terms:
 - o Within 12 months after the import's declaration date, and

- o The export must be carried out within such period, with a 90-day term, counted as of the date of the export declaration or the document proving the transfer, as the case may be.

Response

The Ministry of Economy will answer to the refund procedures within ten days at the most, as of the first day after receiving the application.

Procedures

The procedures associated with this program are at no charge and can be conducted at the DRAWBACK window in the Foreign Trade Office of the Ministry of Economy's Representation Office according to your fiscal address.

For procedure, visit: <http://www.economia.gob.mx/?P=746>

Refer to DRAWBACK regulation: <http://www.economia.gob.mx/?P=745>

For detailed information, visit: <http://www.siicex.gob.mx>

Consult DRAWBACK Decree: <http://www.economia.gob.mx/pics/p/p1376/D28.pdf>

5. Sector-specific promotion programs (PROSEC)

Description

With the aim of providing the productive sector with improved conditions in order to compete in various markets, as well as for enhancing supply conditions, the Ministry of Economy has designed and implemented production promotion programs and instruments.

Their purpose is to support certain sectors by facilitating access to inputs, parts, components, machinery, equipment and other goods associated with their productive processes.

The Sector-specific Promotion Programs (PROSEC) are instruments intended for companies who produce certain types of goods, which allows them to import, with a preferential *ad valorem* tariff (General Imports Tax), various goods to be used in the manufacturing of specific products, regardless of the fact that goods to be produced are assigned for export or for the domestic market.

These programs are regulated by the Ministry of Economy through the Sector-specific Promotion Programs Decree, issued in the Federal Daily Gazette, on August 2, 2002 (PROSEC Decree).

Beneficiaries

Country-resident companies that manufacture the goods described in Article 4° of the PROSEC Decree, by using the goods mentioned in Article 5° of such Decree.

Benefits

Importing, with a preferential tariff, various goods for the manufacturing of specific products (in most cases, 0-5% tariffs are set for inputs and machinery imports).

The Sector-specific Promotion Programs (PROSEC) are designed under an input-destination scheme. For each of the 24 sectors involved, some Programs determine the goods that may be imported (inputs) with preferential tariffs in order to produce the specific goods (destination), which are also included in the Sector-specific Promotion Programs Resolution.

The Sector-specific Promotion Programs are:

1. For the Electric Industry;
2. For the Electronic Industry;
3. For the Furniture Industry;
4. For the Toys, Playground Items, and Sporting Goods Industry;
5. For the Footwear Industry;
6. For the Mining and Metalworking Industry;
7. For the Capital Goods Industry;
8. For the Photographic Industry;
9. For the Agricultural Machinery Industry;
10. For Various Industries;
11. For the Chemical Industry;
12. For the Rubber and Plastic Manufactured Goods Industry;
13. For the Iron and Steel Industry;
14. For the Pharma-chemical Products, Drugs, and Medical Equipment Industry;
15. For the Transport Industry, except for Automotive and Auto Parts Industry Sector;
16. For the Paper and Cardboard Industry;
17. For the Woodworking Industry;
18. For the Hide and Leather Industry;
19. For the Automotive and Auto Parts Industry;
20. For the Textile and Clothing Industry;
21. For the Chocolate, Candy and other Confectionery Industry;
22. For the Coffee Industry;
23. For the Food Industry; and
24. For the Fertilizer Industry.

Any producer authorized to operate under any of the programs above may choose to import the goods listed in the PROSEC Decree, with the tariff of the General Imports Tax specified in such order, as long as such goods are used for producing the goods included in each program.

Duration

The programs' duration will be one year, to be automatically renewed once the producers have submitted the annual report of the transactions conducted under the program, as explained in Article 8 of the PROSEC Decree.

Permanence Terms

Whenever goods are imported by also using an IMMEX program, such goods may stay in national territory for the periods established in Article 108 of the Customs Law.

Whenever the import is conducted under the definitive import regime, such goods may stay for an indefinite period of time.

In both cases, the holder of a PROSEC Program must use the imported goods in the manufacturing of the goods included in the corresponding authorized sector(s).

Commitments

In order to be able to benefit from a PROSEC Program, the terms set forth in the relevant Decree and the official communication containing the program's authorization must be complied with.

The Program's authorization will be granted as follows: Prior to the issuance of the authorizing resolution for a program, the opinion of the company's Local Revenue Service of the Ministry of Treasury will be requested, with the purpose of verifying if it is registered in the Federal Taxpayers' Registry, up-to-date in tax payments, and also if it is subject to any tax contingency execution administrative procedure.

A program will not be authorized to any producer who is a related party of another producer who had previously obtained a program's authorization within the same sector, and who had it cancelled for any of the following causes:

1. Non-compliance with provisions contained in the PROSEC Decree or other provisions deriving from it, or
2. Failure to meet the conditions under which the registration to the Programs was granted or non-compliance with the terms set forth in the approved program, or

3. Failure to file 3 or more provisional tax returns or the Income Tax, Asset Tax and Value Added Tax returns for the fiscal year; or whenever the corporate address is changed without filing the corresponding notice with the Ministry of Treasury, or if the company is not up-to-date in tax payments, or
4. Whenever the goods imported under the PROSEC Resolution have been assigned to any purposes other than those set forth in Article 4° thereof, without abiding to the provisions contained in the Decree.

Reports

The holder of a PROSEC program must report to the Ministry of Economy the foreign trade transactions it has conducted during the previous year under the Program.

Whenever the company fails to submit the report referred to above within the established term, its program will become temporarily ineffective and the holder may not benefit from it while such omission remains uncorrected. If by the last business day of June, the company has not submitted such report, the program will be permanently suspended.

The submittal of such report does not release producers from the obligation to use a computer system for controlling their inventories —as recorded in the accounting—, that meets the requirements set by the Ministry of Treasury to such end.

Procedures

All procedures associated with this program must be filed at the public service windows located in the Ministry of Economy's offices and deputy regional offices, according to the address of the plant where the productive process is carried out.

If the company owns various plants, the report may be filed before the office of its choice, as long as that office pertains to one of its plants. Any further procedure will be conducted at the office where the application was submitted.

For Procedures visit: <http://www.economia.gob.mx/?P=729>

Consult PROSEC regulation: <http://www.economia.gob.mx/?P=728>

To obtain detailed information, see: <http://www.siicex.gob.mx>

Consult PROSEC Decree: <http://www.economia.gob.mx/pics/p/p1376/D33.pdf>

6. Eighth Rule Mechanism

The 8th Rule is an instrument which purpose is to reinforce the competitiveness of the national industry, establishing preferential tariffs to the importation of inputs, parts, components, machinery, equipment, and other merchandise related to production processes.

The Ministry of Economy will authorize the importation of merchandise under the 8th Rule mechanism, when the applicant of this benefit pretends to diversify sources of supply, in order to have a flexible supplier base, or when it is determined that the national production of those products is either inexistent or insufficient; in addition, authorization is given to companies during the stage prior to the start of production of new projects and to assist in the compliance of commercial obligations in international markets, among other situations regulated in the Agreement by which the Ministry of Economy issues general rules and criteria in the area of Foreign Trade.

In the following cases, benefit of the 8th Rule mechanism will not be authorized:

- Hazardous materials or waste,
- Merchandise or the finished product, in which the requested merchandise is added, regulated in a specific way in a commercial agreement or treaty between Mexico and the country of origin,
- Merchandise that will be used in the same condition as imported to become part of a work of infrastructure, especially those derived from public biddings, without undergoing any process of transformation or assembly in a permanent manufacturing establishment.

The importations of merchandise under the 8th Rule mechanism are authorized by the Ministry of Economy through a license, and may only be destined to the production of goods established in the PROSEC Decree for the authorized sector.

To obtain the corresponding license, it is necessary to be registered as a manufacturing company; a company will be considered as having a registration, when it has the authorization to operate with the support of the PROSEC Decree.

Firms must have an IMMEX Program in cases of operations under the temporary importation regime for production, transformation, or repair.

The foregoing requirement of a license is only mandatory to individuals choosing to carry out an operation under the scheme of the 8th Rule mechanism, and not when the operation is done using the classification of merchandise under Chapters 01-97 of the Rate of the General Taxes of Importation and Exportation Law.

Consult the Agreement by which the Ministry of Economy issues general rules and criteria in matters of Foreign Trade:

http://www.economia.gob.mx/work/normas/Marco_legal/Acuerdos/Acdo_Noms_06072007.pdf

General Taxes of Importation and Exportation Law:

<http://www.diputados.gob.mx/LeyesBiblio/ref/ligie.htm>

VI. RULES OF ORIGIN

Responsible Authority: Ministry of Economy.

www.economia.gob.mx

1. Definitions

There are two kinds of rules of origin at an international level: non- preferential rules of origin and preferential rules of origin.

The first ones include all the norms utilized in non-preferential instruments of trade policies, such as applying the most favored nation treatment, antidumping rights and countervailing rights, safeguard measures, or even for government procurement and the settling of commercial statistics.

On the other hand, preferential rules of origin have the purpose of determining the country of origin of a good that is eligible for a preferential tariff treatment previously negotiated between one or more countries through an agreement or Free Trade Zone.

Rule of origin: Is the general or specific criteria agreed under a free trade agreement to determine which good is to be deemed non originating or when can it qualify as originating good.

Originating good: Means that it meets all the Rules of Origin provided for in the relevant chapter of a free trade agreement.

Non-originating goods: Goods that do not qualify as originating pursuant to the corresponding rules.

In Mexico, the Foreign Trade Law (FTL) is the one that governs “Rules of Origin”.

Pursuant to article 9 of this Law, the origin of goods can be determined for tariff preference matters, marking of originating countries, application of countervailing duties, quotas and other measures established to that end. The origin of the product can be domestic, if one single country is considered, or regional if more than one country participates. The Ministry of Economy is the authority in charge of the creation of the rules, after considering the international treaties and agreements in effect to which Mexico is a party.

The basic criteria for making a rule of origin according to Article 10 of the aforementioned law are: tariff classification change, domestic and regional content, and manufacturing, production, making or preparation, specifying what kind of productive processes is granting the origin to the good without prejudice of other criteria that may be established by the Ministry of Economy.

2. Non-preferential Rules of Origin

Non-Preferential Rules of Origin applied by Mexico are based on the international treaties it has entered into. However, in the non-preferential sphere, the Resolutions published in the Federal Official Gazette (30 August 1994; 11 November 1996; 12 October 1998; 30 July 1999; 30 June 2000; 1 and 23 March and 29 June 2001; 6 September 2002; 30 May 2003 and 14 July 2004) provide for the standards to determine the country of origin of imported goods and the provisions for certification regarding countervailing duties.

Article 66 of the Foreign Trade Law exempts the importers of similar or identical goods of the payment of a temporary or final duty, provided that they can prove that the country of origin is other than that of a country exporting under unfair international trade practices; in this case the importer has the right to request the zero countervailing duty (Certificate of country of origin).

This agreement applies to the final importation of goods classified as footwear, textiles or garments and sets the Country of Origin Rules and the Appendix of Specific Rules applied to the referred goods and others.

The beneficiaries are individuals or entities importing goods that are "identical (those that are the same in all aspects as the goods subject to countervailing duties) or alike goods (which may not be the same in all aspects but have similar features and composition, allowing them to serve the same purpose and to be commercially interchangeable with the goods they are compared against)" to such for which a countervailing duty has to be paid.

Refer to the Agreement for established Norms to determine the country of origin of imported merchandise and accreditation dispositions regarding countervailing duties, in: <http://www.economia.gob.mx/?P=2789>

3. Preferential Rules of Origin

Preferential Rules of Origin applied by Mexico are based on the international treaties it has entered to.

Mexico has executed several free trade agreements in the light of article XXIV of the GATT-WTO, which entail broad access to markets allowing importers and exporters to diversify their foreign trade transactions.

Such agreements are listed below together with their date of issuance in the Federal Official Gazette and the Chapter containing "Rules of Origin".

TREATY	ISSUED IN THE FEDERAL OFFICIAL GAZETTE	RULES OF ORIGIN CHAPTER	REFER TO:
<u>TLCAN</u> (<i>Unites States, Canada and Mexico</i>)	December 20, 1993	Chapter IV	http://www.economia.gob.mx/index.jsp?P=2116
<u>Costa Rica</u>	January 10, 1995	Chapter V	http://www.economia.gob.mx/index.jsp?P=2121
<u>Group of Three</u> (<i>Colombia and Mexico</i>) <i>Venezuela does not participate since November 19, 2006</i>	January 9, 1995	Chapter VI	http://www.economia.gob.mx/index.jsp?P=2123
<u>Bolivia</u>	January 11, 1995	Chapter V	http://www.economia.gob.mx/index.jsp?P=2124
<u>Nicaragua</u>	July 1, 1998	Chapter VI	http://www.economia.gob.mx/index.jsp?P=2122
<u>Chile</u>	July 28, 1999	Chapter IV	http://www.economia.gob.mx/index.jsp?P=2125
<u>Israel</u>	June 28, 2000	Chapter III	http://www.economia.gob.mx/index.jsp?P=2129
<u>European Union</u>	June 26, 2000	Appendix III of the 2/2000 Resolution of the United Council	http://www.economia.gob.mx/index.jsp?P=2117
<u>CA3</u> (<i>El Salvador, Guatemala and Honduras</i>)	March 14, 2001	Chapter VI	http://www.economia.gob.mx/index.jsp?P=2119
<u>European Association of</u>	June 29, 2001	Appendix I	http://www.economia.gob.mx/index.jsp?P=2118

<u>Foreign Trade</u>			
<u>Uruguay</u>	July 14, 2004	Chapter IV	http://www.economia.gob.mx/index.jsp?P=2126
<u>Japan</u>	March 31, 2005	Chapter IV	http://www.economia.gob.mx/index.jsp?P=2120

Refer to Treaties signed by Mexico in: <http://www.economia.gob.mx/?P=2113#>

4. Certificate of Origin

Responsible authority: Ministry of Economy.
www.economia.gob.mx

a. Definition

The Certificate of Origin is the documentary evidence stating that a good is originating from a specific country or region, that is, it proves that the goods exported there under have been extracted, harvested or manufactured in a country benefiting from a preferential scheme, pursuant to the established Standards or Rules of Origin, and therefore, they can enjoy a preferential tariff treatment.

It is a document provided for by FTAs, Trade Agreements or Preferential Schemes, which shall be submitted to the customs authority receiving the goods in order to obtain the tariff benefits.

Some countries that do not grant tariff benefits, demand as a non-tariff requirement, the submission of an official document that backs up the origin of the goods exported there under. In order to support exporters in these cases, the Ministry of Economy created a certificate format for these transactions.

Not every certificate of origin used to obtain tariff benefits require the validation of the competent authorities (in Mexico, the Ministry of Economy).

Only five of the 12 Free Trade Agreements signed by Mexico require validation from the competent authority. These are: 1. FTA with Colombia and Venezuela, 2. Mexico-European Union FTA, 3. Mexico-Free Trade European Association, 4. Mexico-Uruguay FTA and 5. Mexico-Japan Agreement; the other 7 accept submitting certificates only with the exporter signature and they do not require validation by the competent authority, These are: 1. Mexico-United States and Canada (NAFTA), 2. Mexico-Bolivia, 3. Mexico-Costa Rica, 4. Mexico-Chile, 5.

Mexico-El Salvador, Honduras and Guatemala (North Triangle), 6. Mexico-Israel, and 7. Mexico-Nicaragua.

Beneficiaries are persons established in the country, who export goods manufactured in national territory. The benefits consist of obtaining tariff preferences in destination countries by exporting products made in Mexico which meet an origin standard or requirement and are accompanied with a certificate of origin.

Refer to certificate of origin in: <http://www.economia.gob.mx/?P=786>

Refer to general aspects: <http://www.economia.gob.mx/?P=787>

Refer to legislation: <http://www.economia.gob.mx/?P=788>

b. Procedure

Procedures related to the validation of certificates of origin can be carried out in the public service windows of the federal offices of the Ministry of Economy in the metropolitan area and the States. The response time is of one business day, starting from the day after receiving application. It can be submitted by the Internet. Requirements:

- Fill the registry questionnaire,
- Certificate of origin format.

Appendix:

- Legible copy of the exportation invoice,
- Statistic appendix (original),
- Copy of the certificate of origin (by duplicate) or
- Certificate of origin (cancell and substitute).

Procedure: <http://www.economia.gob.mx/?P=789>

Refer to formats and additional information on the procedure, in: www.cofemer.gob.mx

Foreign Trade Law: <http://www.diputados.gob.mx/LeyesBiblio/pdf/28.pdf>

Regulations of the Foreign Trade Law:

http://www.diputados.gob.mx/LeyesBiblio/regley/Reg_LComExt.pdf

VII. LICENCES AND FRANCHISES

Responsible Authority: Mexican Institute for Industrial Property (IMPI).

www.impi.gob.mx

1. License

A **license** is the means by which the holder of a trademark, or in procedure of registration, authorizes the use of such right to one or more persons, regarding all or some products or services applied to such brand.

The license must be registered at the IMPI in order for it to be effective before third parties.

The holder of a license of use registered at the IMPI, except if otherwise provided, will have the authority to exercise the legal actions to protect the trademark rights, as if it were the holder of the trademark.

2. Franchise

A **franchise** is the system by means of which a license holder, in addition to the granting of a trademark license, technical knowledge or technical assistance, will be capable to produce or sell goods, render services consistently, use the operation, commercial and administrative methods established by the franchisor, maintain the quality, prestige, and image of the products or services identified under such trademark.

Parties to the franchise agreement: the franchisor, who owns a determined trademark and the technology for selling goods and services, and assigns its use through a franchise agreement, and the franchisee, who acquires the right to sell the goods or services and to operate the trademark in question, along with the training, organization, and business management provided by the franchisor.

3. Obtaining a License or a Franchise

An application must be filed before the Mexican Institute of Industrial Property. The application may be filed by any of the parties, and it must include:

- The franchisor's or licensor's name or corporate name, nationality, and address,
- The franchisee's or licensee's name or corporate name, nationality, and address,
- Duration of the license or franchise,
- Type of license or franchise,

- If the agreement reserves to the licensor, authorized user or franchisor, the authority to exercise the legal actions to protect the industrial property right subject matter of the operation,
- In respect of a license to use a trademark, the products and services which the license is granted for,
- Identification data of the representative, whenever the registration application is made through a representative.

The following appendix should be submitted:

- Two copies of the application, with autograph signature,
- Certified or signed copy of the agreement evidencing the license, authorization to use or franchise,
- Document evidencing the representative's capacity, if the case,
- Voucher of the fee payment, which for licenses will depend on the number of affected applications or records,
- Legalization of the documents proceeding from abroad, when necessary,
- Translation into Spanish of documents written in languages different from Spanish that are submitted with the request or promotion, if the case,
- List of applications or records involved in the license, since the registration of licenses for two or more applications subject to procedures or registered trademarks may be requested in one single promotion, when both the involved licensor and licensee are the same for all of them.

Resolution Term

The IMPI will issue a first answer regarding licenses and franchises registration applications or promotions, within the two months following its reception date or the date on which the requirements requested by the Institute are complied with.

When the requested registration does not proceed due to the lack of any requirement, the Institute will notify the applicant in order for such applicant to manifest as best serves its legal interest, within a two-month term.

For procedures:

<http://www.cofemer.gob.mx/wwwroot/BuscadorRFTS/DatosGenerales.asp?homoclave=IMPI-03-009&modalidad=2&identificador=1048923&SIGLAS=IMPI>

Chapter VI of the Industrial Property Law:

<http://www.diputados.gob.mx/LeyesBiblio/pdf/50.pdf>

Regulations to the Industrial Property Law:

http://www.diputados.gob.mx/LeyesBiblio/regley/Reg_LPI.pdf

VIII. INTELLECTUAL PROPERTY

Responsible Authority: Mexican Institute for Industrial Property (IMPI).

<http://www.impi.gob.mx>

The Mexican statute protecting property rights and sanctioning breaches is the Industrial Property Law (LPI in Spanish), and its regulations.

Likewise, Mexico is a signatory of the Paris Convention, the Patent Cooperation Treaty, the International Union for the Protection of New Varieties of Plants (UPOV) and others. The authority in charge of enforcing the law and the treaties is the Mexican Institute for Industrial Property (IMPI).

1. Patent

Patent protection may be requested before the Mexican Institute for Industrial Property, for all kinds of inventions such as goods, processes or man-created uses that allow transforming naturally-occurring matter or energy for utilization by man to meet specific needs, provided that the following requirements are met:

- Novelty: Something novel is something that is not included in a set of technical knowledge that has been made public through an oral or written description, or through exploitation or any other means of dissemination or information, in Mexico or abroad,
- Invention: Is the creative process which outcome is sufficiently different from what has been used or described before that it may be said to be non-obvious to a person having ordinary skill in the area of technology related to the invention,
- Industrial Application means the possibility of producing or using it in any branch of economic activity.

The Industrial Property Law provides that the owner of a patent shall exploit it, himself or through a third party, or by using or manufacturing the invention in Mexico or through importation and subsequent sale of the patented good or the good obtained through the patented process.

Likewise, in order to preserve the rights under a patent, the owner shall pay the yearly fees in the amount and at the time provided by the Tariff for the Institute services.

Duration of a Patent

A patent shall be effective for a non-extendable term of 20 years from the date of filing of the application and shall be subject to the applicable fee.

Priority

When a patent is requested after so doing in other countries, the priority date shall be that in which it was first requested, provided that it is filed in Mexico within the terms provided by international treaties or otherwise within the 12 months following the request in the country of origin.

Form and Content Review

Once the application is filed, the form review is made in order to verify that the documents and information required under the Industrial Property Law are properly included in the patent application file record (article 50 of the Industrial Property Law). The Institute may ask for accuracy or clarification, or require omissions to be corrected. If the applicant does not comply with this request within to months, the application shall be deemed abandoned.

Once the patent application is published, the Institute shall make a content review in order to determine whether the invention can be patented, being new, resulting from an inventive activity and applicable to industry or trade. If the application meets the patentability requirements under the Industrial Property Law, the applicant will be notified and should proceed to pay the fee for the issuance of title and the first five years annual fees of the patent.

Industrial design registries grant the owner an exclusive right for exploitation for a term of 15 years (Article 36 of the Industrial Property Law).

Likewise, the owner of a patent must exploit it himself or through third party. In order to preserve the rights under a registration, the owner shall pay the yearly fees in the amount and at the time provided by the Tariff for the Institute services.

2. Brands

A brand may be a name, visible shape, a three-dimensional form or a combination thereof, which may be used as a hallmark to differentiate a good or service from others of the same kind or species.

The brands are classified as nominal, unnamed, mixed or three-dimensional.

- **Nominal:** These are brands that allow identifying a good and its origin through a word or set of words. Its importance lies on the fact that such words can be phonetically discerned, that is, they must be sufficiently clear to differentiate such goods or services in the market from those of the same kind or species.

- **Unnamed:** These brands can be visually but not phonetically recognized. Its uniqueness consists in that they are only symbols, logotypes or any hallmark element.
- **Mixed:** These are brands combining words and figures that show a brand as one single element or as a hallmark.
- **Three-dimensional:** These are the brands protecting the wraps, packaging, containers, shapes or presentation of the goods themselves, which make them different from other goods of the same kind or species.

Hallmarks are an administrative entity in themselves and include joint brands, commercial names and commercial notices.

- **Joint Brand:** Joint brand is a hallmark which legally incorporated associations or partnerships of farmers, manufacturers, traders or service providers use to single out in the market the goods or products of their members from the goods or services of third parties that are not members of such associations or partnerships.
- **Commercial Name:** Commercial name is any name that is used to label a company or industrial, commercial or service entity within the geographical area where its effective customers are established. Both the commercial name and the exclusive use rights are protected without need for registration.
- **Commercial Notice:** A commercial notice consists in phrases or statements that are used to advertise to the public about goods or services, premises or commercial, industrial or service businesses to single them out from those of the same kind or species.

Form and Content Review

A review takes place before the application is filed. If at the time the application is filed it meets the information requirements under the law, it shall deem accepted and a file record number will be assigned, containing other data.

Then a Form and Content Review is performed on the brand, commercial notice or commercial name to find out whether they can be registered under the law.

Once the formal requirements under the law are met, a phonetic review is performed, if necessary, to check the requested sounds against the existing ones. If there are similar or like sounds that may cause confusion, the requested registration will be disregarded.

When there are no impairments or any deficiencies are cured, the interested party will be notified and the certificate will be issued.

It is recommendable that the brands are registered in countries where they are traded or where they intend to trade the goods, because the registration is domestic.

The brand and commercial notice registrations are effective for ten years from the date of request filing. Brands, notices and commercial names can be renewed for similar periods indefinitely.

3. Denomination of Origin

Denomination of origin is the name of a geographical area within a country that is used to name a product originating in such area and whose quality and features are due exclusively to the natural and human environment. Authorization to use a denomination of origin is processed with the IMPI.

The duration of a declaration to protect a denomination of origin will be determined by the permanence of the conditions that caused it and such duration will cease to have effect only by another declaration from the IMPI.

The IMPI, by means of the Ministry of Foreign Affairs, will carry out the procedure through the register of the denominations of origin that have been matter of a declaration of protection under the LPI terms, to obtain recognition abroad in agreement with International Treaties.

4. Utility Models

Objects, utensils, devices or tools that, as a result of change in layout, configuration, structure or form, have a different function with respect to its parts or other utility advantages, may be registered as utility models provided they meet the following requirements:

- Novelty,
- Industrial application.

Duration

The registration of utility models shall be effective for a non-extendable term of ten years from the date of filing of application and shall be subject to the payment of the relevant fee.

Unlike patents, utility model registration applications are not published when the form review is completed.

In some countries like Spain, Germany and France, the utility model is also known as small patent or mini patent.

Form and Content Review

In order to perform a content review on utility models, the form review must have been satisfactorily performed and completed.

5. Industrial Secret

An industrial secret is deemed to be all the information with industrial or commercial application that entails obtaining or maintaining a competitive or economic advantage before third parties in carrying out economic activities with respect of which it has adopted sufficient means or systems to preserve confidentiality and restricted access thereto.

Information in an industrial secret shall necessarily refer to the nature, features or purposes of the goods, the production methods and processes or the means and forms of distribution or marketing of goods or provision of services.

Public information that is evident for a technician in the matter, based on previously available information or which shall be disclosed under the laws or under a court order shall not be deemed industrial secret. Information provided to any authority by a person who owns it as an industrial secret will not be deemed to become public or disclosed under the laws, when such information is provided with the purpose of obtaining licenses, permits, authorizations, registrations or for any other acts of authorities.

A person who maintains an industrial secret may transfer or authorize a third party to use it. The authorized user shall have the obligation not to disclose the industrial secret in any manner.

6. Industrial Design

Industrial design includes:

- Industrial drawings, combining any shapes, lines or colors incorporated into an industrial product for decoration purposes and that give it a unique own appearance; and

- Those comprising all kinds of three-dimensional forms used as types or patterns for the manufactured goods, that provide a special appearance provided it does not imply technical effects.

The design (whether drawing or model) must be new, that is, created independently and must differ significantly from designs or combinations that are renowned worldwide.

In Mexico the design is only protected against use without the owner's authorization. Protection of industrial property rights are only granted in the country where it is requested and granted. If the same protection rights are sought abroad, the request shall be made in each country claiming preemptive right (Articles 40 and 41 of the Industrial Property Law).

A preemptive right consists of a country's obligation to grant the owner a period of at least 6 months from the date of registration in the country of origin, starting on the date of filing of the first application, so he may file with first priority any registration of the industrial design.

Duration

An industrial design registration grants the owner the exclusive right to exploit it for 15 years (article 36 of the Industrial Property Law).

Form and Content Review

Once the application has been filed, the form review is made to verify that the necessary documentation and information have been duly presented into the registration application. Unlike patent requests, Industrial Design registry applications are not published.

Once the content review is completed, if the application meets the requirements of the Industrial Property Law, the applicant is notified and may pay the issuance of the certificate and the one or five yearly fees, as the case may be. Once the payment is made, the certificate is prepared and delivered. The yearly fees shall be paid as provided by the Tariff in order to preserve the proprietary rights.

The owner of an industrial design shall exploit it, himself or through a licensee, or by using or manufacturing the invention in Mexico or through importation and subsequent sale thereof. In order to preserve the rights under a registry, the owner shall pay the yearly fees in the amount and at the time provided by the Tariff for the Institute services.

7. Integrated Circuits

An integrated circuit is deemed to be a final or semi-finished product which elements, one of which shall be active at least, and one or all of its interconnections, are part of the body or surface of semiconductor materials aimed at performing an electronic function.

The Industrial Property Law recognizes the following schemes:

- **Tracing sketch or topography:** three-dimensional layout in any form, of the elements, one of which shall be active at least, and one or all of the interconnections of an integrated circuit, or the three-dimensional layout for an integrated circuit to be manufactured;
- **Protected tracing sketch:** a tracing sketch of integrated circuits with respect to which all the conditions provided hereunder have been met;
- **Original tracing sketch:** a tracing sketch of integrated circuit that is the result of the intellectual effort of its creator and is not customary or common among the creators of tracing sketches or integrated circuits manufacturers at the time of its creation.

The owner of an integrated circuit topography certificate confers the right to prevent other persons from reproducing the sketch without authorization or to import, sell and distribute it with commercial purposes.

Duration of the Registration

The registration of an integrated circuit tracing sketch shall remain effective for a non-extendable period of ten years from the date of filing of registration application and shall be subject to the payment of the relevant fee.

For procedures, refer to:

http://www.apps.cofemer.gob.mx/buscador/nuevo_tree.asp?org=impi&view=20&page=2

http://www.apps.cofemer.gob.mx/buscador/nuevo_tree.asp?org=IMPI&view=20&page=3

Industrial Property Law: <http://www.diputados.gob.mx/LeyesBiblio/pdf/50.pdf>

Industrial Property Law Regulations:

http://www.diputados.gob.mx/LeyesBiblio/regley/Reg_LPI.pdf

Agreement establishing the Rules for submitting applications before the Mexican Institute for Industrial Property:

http://www.impi.gob.mx/index.php?option=com_content&task=view&id=113&Itemid=206

8. New varieties protection

Responsible Authority: Ministry of Agriculture, Livestock and Rural Development.

<http://www.sagarpa.gob.mx>

The protection of new plant species is guarded by the Federal Law for Plant Species.

A person who obtains a plant species acquires an inalienable and imprescriptible right to be recognized as possessor of a plant species and also to employ profitably and exploit, in an exclusive and temporary form, himself or by third parties with his/her approval, a plant species and its propagation material, for its production, reproduction, distribution or sale, as well as for the production of other plant species and hybrids with commercial purposes.

The duration of these rights is of:

- Eighteen years for perennial species (forestry, fruits, grapevines, ornamental) and its porta grafts, and
- Fifteen years for species not included in the preceding sentence.

These terms will be counted as of the issuing date of the possessor's title and, once elapsed, the plant species, its use and exploitation will pass to public domain.

For procedures, see: <http://www.sagarpa.gob.mx/servicios/>

Federal Law for Plant Species:
<http://www.diputados.gob.mx/LeyesBiblio/pdf/120.pdf>