

# **Basic Guide to Mexico**

## **2016**

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## **THE BASICS**

<b>POLITICS OF MEXICO</b>	<b>4</b>
<b>MEXICO'S FREE TRADE AND INVESTMENT PROTECTION AGREEMENTS</b>	<b>4</b>
<b>MEXICO'S LARGEST CITIES</b>	<b>5</b>
<b>WHAT PRODUCTS DOES MEXICO IMPORT THE MOST?</b>	<b>6</b>

## **MEXICO'S CLUSTERS**

<b>AUTOMOTIVE CLUSTER</b>	<b>7</b>
ASSOCIATIONS AND CHAMBERS	11
IMPORTANT TRADESHOWS	11
<b>AEROSPACE CLUSTER</b>	<b>12</b>
ASSOCIATIONS AND CHAMBERS	14
IMPORTANT TRADESHOWS	14
<b>ELECTRONIC INDUSTRY</b>	<b>15</b>
ASSOCIATIONS AND CHAMBERS	17
IMPORTANT TRADESHOWS	17
<b>PROCESSED FOODS</b>	<b>18</b>
ASSOCIATIONS AND CHAMBERS	20
IMPORTANT TRADESHOWS	20
<b>MEDICAL DEVICES</b>	<b>21</b>
ASSOCIATIONS, CHAMBERS AND RELEVANT GOVERNMENT DEPENDENCIES	24
IMPORTANT TRADESHOWS	24
<b>TEXTILE AND FOOTWEAR INDUSTRY</b>	<b>25</b>
ASSOCIATIONS AND CHAMBERS	26
IMPORTANT TRADESHOWS	26

## **HOW TO START A BUSINESS IN MEXICO**

<b>MEXICAN WORK VISA</b>	<b>27</b>
<b>TOURISM/BUSINESS (ELECTRONIC VISA)</b>	<b>28</b>
<b>FOREIGN WORKER QUOTAS</b>	<b>28</b>
<b>REGISTRY OF FOREIGN INVESTMENT</b>	<b>28</b>
USEFUL LINKS FOR THIS PROCEDURE (SPANISH)	29
<b>QUICK LOOK TABLE: COMPANY REGISTRATION</b>	<b>29</b>
<b>REGISTRATION OF THE LEGAL NAME OF THE ENTITY OR COMPANY</b>	<b>31</b>
USEFUL LINKS FOR THIS PROCEDURE (SPANISH)	31
<b>FORMING A LEGAL ENTITY</b>	<b>32</b>
USEFUL LINKS FOR THIS PROCEDURE	32
<b>TYPES OF LEGAL ENTITIES</b>	<b>33</b>
<b>REGISTRY OF THE ARTICLES OF INCORPORATION</b>	<b>34</b>
USEFUL LINKS FOR THIS PROCEDURE	34
<b>"DICTAMEN DE IMPACTO REGIONAL" (REGIONAL IMPACT RULING)</b>	<b>34</b>

<b>“FACTIBILIDADES DE USO ESPECÍFICO DEL SUELO” (LAND USE PERMIT)</b>	<b>35</b>
<b>“AUTORIZACIÓN DE IMPACTO AMBIENTAL” (ENVIRONMENTAL IMPACT PERMIT)</b>	<b>35</b>
<b>“VISTO BUENO” (APPROVAL)</b>	<b>35</b>
<b>DICTAMEN DE FACTIBILIDAD DE SERVICIOS DE AGUA POTABLE Y SANEAMIENTO (WATER, DRAINAGE AND SANITATION RULING)</b>	<b>35</b>
<b>LICENCIA DE FUNCIONAMIENTO MUNICIPAL (MUNICIPAL PERMIT)</b>	<b>35</b>
<b>REGISTRO EMPRESARIAL ANTE EL IMSS (EMPLOYEE SOCIAL SECURITY REGISTRY)</b>	<b>36</b>
<b>USEFUL LINKS FOR THIS PROCEDURE (SPANISH)</b>	<b>36</b>
<b>ALTA EN EL PADRÓN DE CONTRIBUYENTES DEL IMPUESTO SOBRE EROGACIONES POR REMUNERACIONES AL TRABAJO (TAX ON WAGES REGISTRY)</b>	<b>36</b>
<b>USEFUL LINKS FOR THIS PROCEDURE (SPANISH)</b>	<b>36</b>
<b><u>BUSINESS SPECIFICS</u></b>	<b><u>36</u></b>
<b>MINIMUM WAGES IN MEXICO</b>	<b>36</b>
<b>EMPLOYEE BENEFITS OR ‘COST OF HIRING’</b>	<b>37</b>
<b>QUICK LOOK TABLE: HIRING</b>	<b>37</b>
<b>QUICK LOOK TABLE: WORKING HOURS</b>	<b>37</b>
<b>QUICK LOOK TABLE: REDUNDANCY REGULATIONS</b>	<b>38</b>
<b>QUICK LOOK TABLE: REDUNDANCY COST</b>	<b>38</b>
<b>QUICK LOOK TABLE: JOB QUALITY</b>	<b>39</b>
<b>SOCIAL SECURITY</b>	<b>39</b>
<b>TAXES</b>	<b>40</b>
<b>QUICK LOOK TABLE: TAXES</b>	<b>41</b>
<b>“PROTECCIÓN CIVIL”</b>	<b>41</b>
<b>UNIONS</b>	<b>41</b>
<b>QUICK LOOK TABLE: CONSTRUCTION PERMITS</b>	<b>42</b>
<b>QUICK LOOK TABLE: GETTING ELECTRICITY</b>	<b>45</b>
<b><u>COST OF ENERGY, GASOLINE AND ELECTRICITY</u></b>	<b><u>47</u></b>
<b>ELECTRICITY</b>	<b>47</b>
<b>GASOLINE PRICES</b>	<b>47</b>
<b><u>INVESTMENT INCENTIVES</u></b>	<b><u>48</u></b>
<b>FEDERAL INCENTIVES</b>	<b>48</b>
<b>STATE INCENTIVES</b>	<b>50</b>
<b>TAX BREAKS</b>	<b>51</b>
<b><u>CONCLUSIONS</u></b>	<b><u>51</u></b>

## The Basics

The official name of Mexico is “Estados Unidos Mexicanos” or United Mexican States in English. It is a Federal Republic, composed by 31 states and a Federal District, which serves as capital and houses the federal legislative, judicial and executive powers. Very recently this Federal District has changed its status and is becoming the 32 state, thus changing its name to “Ciudad de México”.

The country has a border on the north with the United States of America, and with Guatemala and Belize on the southeast; it has coasts on the west on the Pacific Ocean, and coasts on the east on the Gulf of Mexico as well as on the Caribbean Sea.

According to the Mexican government’s estimates, by January 1<sup>st</sup> 2015, the total population of the country, will be: 120,285,088<sup>1</sup>. The government of México keeps track of the population in censuses done every 10 years, and inter-census each 5 years, in the 2015 inter-census the population was calculated at 119.5 million inhabitants.<sup>2</sup> The last census in 2010, the population was calculated at 112.3 million inhabitants.

The official language of the country is Spanish with 98.8% speaking it natively. Nevertheless, 68 native languages are also legally recognized. The majority of Mexican businesspersons are able to speak English at some degree of proficiency.

## Politics of Mexico

The most important political parties in Mexico are the Institutional Revolutionary Party (PRI), National Action Party (PAN) and the Party of the Democratic Revolution (PRD). Currently PRI is the most important political party in Mexico, the current Mexican president is affiliated to this party, it is the party with most seats in the chamber of deputies (208 out of 500), it has the most seats in the chamber of senators too (54 out of 128) , and it has the most state governorships (19 out of 32).

## Mexico’s Free Trade and Investment Protection Agreements

According to the “Servicio de Administración Tributaria”<sup>3</sup>, organization similar to the US’ Internal Revenue Service, Mexico has 11 Free Trade Agreements with 46 countries, 32 “Acuerdos para la Promoción y Protección Recíproca de las Inversiones” (Agreements for Reciprocal Protection and Promotion of Investments), 9 Limited Trade Agreements, and it participates in the WTO, OECD, APEC and ALADI.

<sup>1</sup> Consejo Nacional de Población [http://www.conapo.gob.mx/es/CONAPO/Proyecciones\\_Datos](http://www.conapo.gob.mx/es/CONAPO/Proyecciones_Datos)

<sup>2</sup> INEGI <http://cuentame.inegi.org.mx/poblacion/habitantes.aspx?tema=P>

<sup>3</sup> Mexican Ministry of Economy <http://www.gob.mx/se/acciones-y-programas/comercio-exterior-paises-con-tratados-y-acuerdos-firmados-con-mexico?state=published>

Most of these treaties can be consulted in the Mexican Ministry of Economy, in their original languages<sup>4</sup>.

Mexico has free-trade agreements with the USA, Canada, Guatemala, El Salvador, Honduras, Iceland, Norway, Liechtenstein, Switzerland, Colombia, Bolivia, Costa Rica, Chile, Israel, Nicaragua, Uruguay, Japan and the European Union. Out of these, the following agreements have chapters with reciprocal protection for investments, the “Pacific Alliance” agreement (Chile, Colombia, Mexico and Peru), North American Free Trade Agreement (Canada, Mexico and USA), Central America Free Trade Agreement (Costa Rica, El Salvador, Guatemala, Honduras, Mexico and Nicaragua), and the free trade agreements with Chile, Costa Rica, Colombia, Japan, Panama, Peru and Uruguay.

The country also has specific agreements of reciprocal protection for investments. Such agreements are in force with Argentina, Austria, Australia, Bahrain, Belarus, Belgium, the Czech Republic, China, Cuba, Denmark, Finland, France, Germany, Greece, Iceland, India, Italy, Korea, Luxemburg, the Netherlands, Panama, Portugal, Singapore, Slovakia, Spain, Sweden, Switzerland, Trinidad & Tobago, the United Kingdom and Uruguay. In addition, similar agreements were signed with Turkey and Kuwait in 2013, but are not yet in force.<sup>5</sup>

## **Mexico’s Largest Cities**

The three largest cities in Mexico are Mexico City (the capital of the country), Guadalajara (the capital of Jalisco State) and Monterrey (the capital of Nuevo León State). Mexico City includes the population of two neighboring states, Mexico State and Hidalgo State, in total the metropolitan area of Mexico City has a population of around 20’000,000 people; Guadalajara and Monterrey have a distant second and third place with around 4’000,000 people each.<sup>6</sup>

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<sup>4</sup> <http://www.sicex.gob.mx/portalSiicex/SICETECA/Tratados/Tratados.htm>

<sup>5</sup> Mexican Ministry of Economy <http://www.gob.mx/se/acciones-y-programas/comercio-exterior-paises-con-tratados-y-acuerdos-firmados-con-mexico?state=published>

<sup>6</sup> INEGI <http://www.inegi.org.mx>

## What products does Mexico Import the most?

According to data from Trademap<sup>7</sup>, the following 6-digit HS codes were the top 30 most imported (according to value in thousands of dollars) into Mexico in 2015.

Product Label	Product Label	Value in 2015, USD thousand	Annual growth in value between 2011-2015, %	Share in world imports, %
TOTAL	All products	\$ 395,232,221.00	3	2.4
'271011	Light petroleum oils and preparations	\$ 13,409,981.00	-8	6.8
'999999	Commodities not elsewhere specified	\$ 11,701,783.00	10	2.2
'854231	Electronic integrated circuits as processors and controllers, whether	\$ 7,804,358.00	6	3.2
'271019	Other petroleum oils and preparations	\$ 6,564,124.00	-6	1.8
'851762	Machines for the reception, conversion and transmission or regeneration	\$ 6,165,335.00	13	4.4
'852990	Parts suitable for use solely/principally with the apparatus of headings 85.25 to 85.28	\$ 5,771,256.00	-10	10.7
'870323	Automobiles with reciprocating piston engine displacement > 1500 cc to 3000 cc	\$ 5,389,079.00	9	2
'847330	Parts and accessories of automatic data processing machines and units thereof	\$ 5,386,257.00	1	5.2
'851712	Telephones for cellular networks mobile telephones or for other wireless	\$ 5,062,570.00	3	1.8
'870829	Parts and accessories of bodies and chassis for motor vehicles	\$ 4,846,055.00	9	7.2
'840820	Engines, diesel, for the vehicles of Chapter 87	\$ 4,682,834.00	8	14.7
'847170	Computer data storage units	\$ 4,559,508.00	12	6.1
'901380	Optical devices, appliances and instruments, of this Chapter	\$ 4,427,967.00	18	7.3
'870840	Transmissions for motor vehicles	\$ 4,052,638.00	5	7.2
'392690	Articles of plastics or of other materials of Nos 39.01 to 39.14	\$ 3,888,990.00	6	7.4
'854232	Electronic integrated circuits as memories	\$ 3,448,744.00	6	2.9
'854239	Electronic integrated circuits (excl. such as processors, controllers,	\$ 3,353,644.00	4	1.6
'853890	Parts for use with the apparatus of heading no. 85.35, 85.36 or 85.37	\$ 3,280,913.00	9	11.5
'853690	Electrical apparatus for switching/protecting electric circuits, not exceeding 1,000 V	\$ 3,254,869.00	7	8.9
'851770	Parts of telephone sets, telephones for cellular networks or for other	\$ 3,082,611.00	-12	2.3
'870899	Motor vehicle parts	\$ 3,056,559.00	5	3.8
'271121	Natural gas in gaseous state	\$ 2,958,261.00	16	2.3
'840991	Parts for spark-ignition type engines	\$ 2,815,705.00	9	8.9
'847130	Portable digital computers <10kg	\$ 2,449,115.00	-2	1.7

<sup>7</sup> Trademap [www.trademap.org](http://www.trademap.org)

'100590	Maize (corn) nes	\$ 2,415,270.00	-6	8.8
'732690	Articles, iron or steel, nes	\$ 2,371,718.00	3	6
'870850	Drive axles with differential for motor vehicles	\$ 2,353,964.00	4	11.5
'870324	Automobiles with reciprocating piston engine displacing > 3000 cc	\$ 2,314,044.00	-3	2
'300490	Medicaments nes, in dosage	\$ 2,217,783.00	-2	0.8
'853400	Printed circuits	\$ 2,170,519.00	6	4.7

## Mexico's Clusters

In general, Clusters can be defined as companies that are in geographical proximity of each other, are in the same industry, or are in industries that are closely related to each other, are oriented to the same market and usually are complementary to each other.

These clusters are important to the economy of all countries, because if their creation and development is boosted, it can give a country a strong position in an industry at a global level, bringing foreign investment into the country, creating direct jobs in that industry and indirect jobs in related industries. In addition, it increases the demand of the country for specific products like specialized machinery and supplies and consumables. Next, we will describe the most important clusters in Mexico.

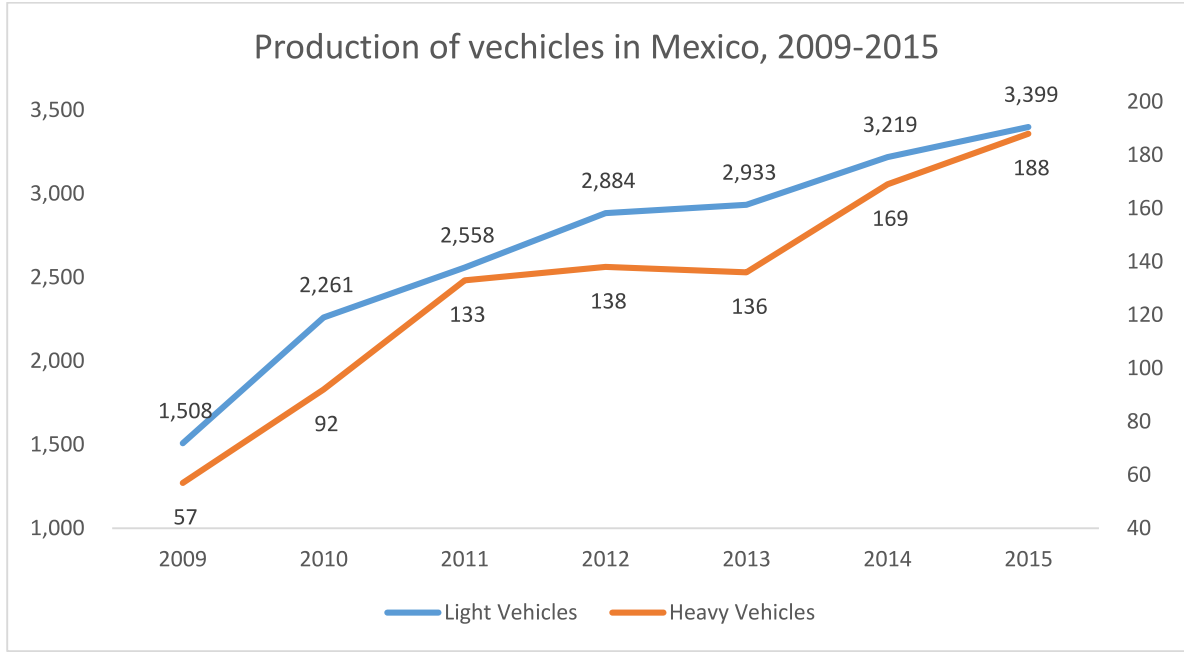
## Automotive Cluster

According to ProMéxico (Mexico's commerce and investment government promoter) and AMIA (The Mexican Automotive Industry Association), over 3 million light vehicles were produced in 2015, and there is a projected production of 180 thousand heavy vehicles that were produced in the same year, these figures represent an increase from production levels previous to the 2008 economic crisis on both types of vehicles.<sup>8</sup>

It is important to point out that, although there is an important presence of assemblers in Mexico, such as General Motors, Ford, Chrysler, Volkswagen, Nissan, and others, there are only one active Mexican brands of automobiles, DINA, specialized in heavy vehicles.

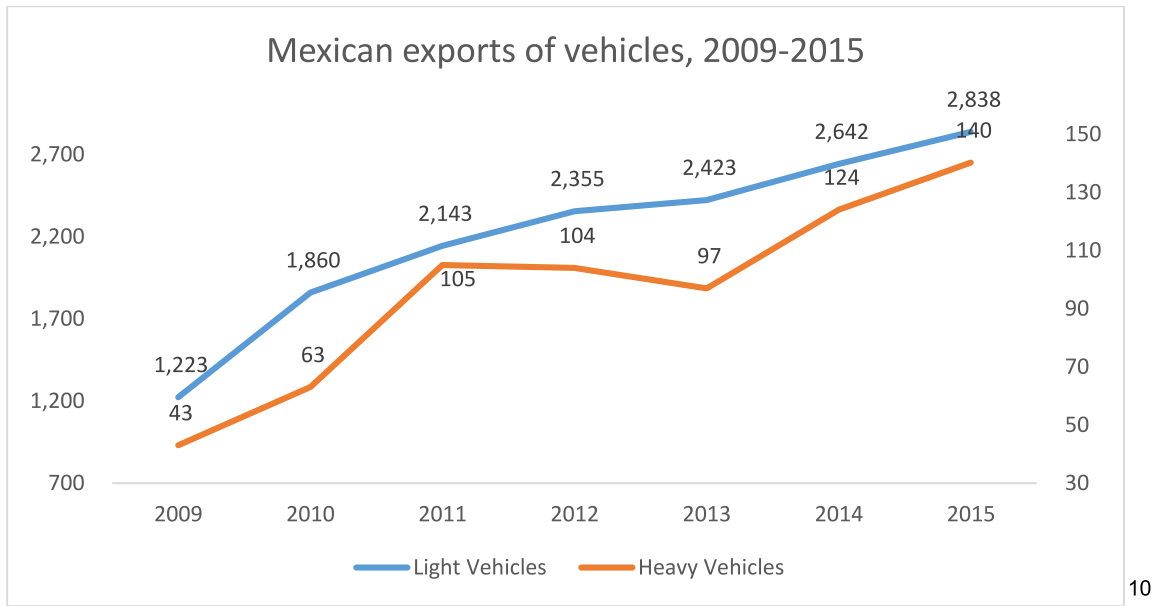
The following production figures are presented in thousands of units.

<sup>8</sup> [http://mim.promexico.gob.mx/wb/mim/auto\\_perfil\\_del\\_sector](http://mim.promexico.gob.mx/wb/mim/auto_perfil_del_sector)



9

Although the production of vehicles, most of them are exported. On average 82% of the light vehicles produced in Mexico are exported, meanwhile the percentage of heavy vehicles exported each year is 67%. The following exports figures are in thousands of units. The main destinations are Canada and the USA.



10

<sup>9</sup> ProMexico [http://mim.promexico.gob.mx/wb/mim/auto\\_perfil\\_del\\_sector](http://mim.promexico.gob.mx/wb/mim/auto_perfil_del_sector) 2015 Data for Light Vehicles taken from <http://www.amia.com.mx/prodtot.html>, 2015 data for Heavy vehicles is projected

<sup>10</sup> ProMexico [http://mim.promexico.gob.mx/wb/mim/auto\\_perfil\\_del\\_sector](http://mim.promexico.gob.mx/wb/mim/auto_perfil_del_sector) Data for 2015 is projected



In the following tables and maps, we can see where the most manufacturing plants in Mexico are located. An asterisk marks recent investment announcements are included.

State	Automotive Manufacturing Plants (2015)
México	7
Guanajuato	6
Coahuila	4
San Luis Potosí*	3
Nuevo Leon	3
Aguascalientes*	2
Baja California	2
Puebla*	2
Queretaro	2
Chihuahua	1
Hidalgo	1
Jalisco	1
Morelos	1
Sonora	1
Other states	0

State	Light Vehicles Produced, 2014
Aguascalientes	587,925
Guanajuato	559,500
Puebla	475,121
Coahuila	429,410
México	359,928
Sonora	317,122
Morelos	213,638
San Luis Potosí	131,022
Baja California	71,399
Jalisco	62,025
Nuevo León	10,970
Other states	0

The Following Map shows the Light Vehicle Assembly Plants in Mexico.



The Following Map shows the Heavy Vehicles Assembly Plants in Mexico.

<sup>11</sup> ProMexico [http://mim.promexico.gob.mx/wb/mim/auto\\_cluster\\_mapping](http://mim.promexico.gob.mx/wb/mim/auto_cluster_mapping)



12

The Mexican Association of the Automotive Industry (AMIA) expects that by the year 2020, Mexico will assemble around 5 million vehicles per year.<sup>13</sup> According to PWC, with data from AMIA and Banxico, the value of the exports of the automotive industry in 2012, was 66,748 million dollars.

<sup>12</sup> ProMexico [http://mim.promexico.gob.mx/wb/mim/auto\\_cluster\\_mapping](http://mim.promexico.gob.mx/wb/mim/auto_cluster_mapping)

<sup>13</sup> El Economista <http://eleconomista.com.mx/industrias/2014/12/16/mexico-ensablara-5-millones-autos-2020>

### **Associations and Chambers**

The most relevant chambers and associations are INA ([National Auto Parts Industry](#)), AMIA ([Mexican Association of the Automotive Industry](#)) and ANPACT ([National Association of Bus, Truck and Tractor-Trailer Producers](#)).

### **Important Tradeshow**

Automotive Meetings Mexico – Is a tradeshow without and expo, it consists of company-to-company meetings and conferences.

Website: <http://www.automotivemeetings.com/mexico/>

PAACE Automechanika Mexico – A tradeshow with expo and conferences, it includes the leading providers of vehicle parts, components, systems, and everything else a car-maker might need.

Website: [Automechanika](#)

Expo INA – Tradeshow organized by the association “National Industry of Auto-parts”. It specializes in auto parts for manufacturers and spare parts.

Website: <http://www.expoina.mx/>

## Aerospace Cluster

Another important industry is the nascent Aerospace Industry. It encompasses military and commercial aircraft, its manufacture, repair, engineering, design, and other related services. The exports of the Aerospace Industry amounted to 7,315 million dollars in 2015, the industry is expected to export 12.26 billion dollars by 2020.



14

In addition, the number of companies in the Mexican Aerospace Industry has increased from just 160 in 2008, to 292 in 2015.

Some of the most important companies with operations in Mexico in this industry are: Bombardier, GE, Honeywell, Eurocopter and Safran Group. Unlike the automotive industry, the aerospace industry, still has much room to grow, according to Mexico's Aerospace Industry Road Map, it is expected that by 2016 there will be aircrafts with high national content<sup>15</sup>.

In the following tables and maps, we can see where the companies and research centers in Mexico are located.<sup>16</sup>

<sup>14</sup> ProMexico [http://mim.promexico.gob.mx/wb/mim/perfil\\_del\\_sector](http://mim.promexico.gob.mx/wb/mim/perfil_del_sector) figures in million dollars; 2015 figures is projected

<sup>15</sup> ProMexico <http://www.promexico.gob.mx/documentos/mapas-de-ruta/plan-nacional-vuelo.pdf%20page%2025>

<sup>16</sup> ProMexico <http://mim.promexico.gob.mx/JS/MIM/InformacionEstatal/sectores/AERO/listaing.pdf>

State	Number of companies 2015
Baja California	76
Sonora	53
Chihuahua	34
Querétaro	31
Nuevo León	30
Jalisco	16
Coahuila	13
México	8
Distrito Federal	8
San Luis Potosi	5
Tamaulipas	4
Guanajuato	3
Yucatán	3
Puebla	2
Durango	2
Aguascalientes	2
Zacatecas	1
Other states	0

State	Research Centers with Aeronautic Programs
Querétaro	4
Nuevo León	2
Distrito Federal	2
Chihuahua	2
Jalisco	1
Other states	0

The Following map shows the geographical location of the top five states with companies in the aerospace industry in Mexico.<sup>17</sup>



<sup>17</sup> ProMexico [http://mim.promexico.gob.mx/wb/mim/cluster\\_mapping](http://mim.promexico.gob.mx/wb/mim/cluster_mapping)

### **Associations and Chambers**

AEM ([Mexican Space Agency](#)), CIDESI ([Center for Engineering and Industrial Development](#)) FEMIA ([Mexican Federation of the Aerospace Industry](#)).

### **Important Tradeshow**

International Aviation Congress – tradeshow with expo and conferences, in it, makers of aviation parts, equipment and systems participate, as well as aviation schools, airports and purveyors of aviation services.

Website: <http://www.expo-ciam.com/inicio.html>

Aerospace Meetings – International suppliers' forum for the aerospace industry in Mexico.

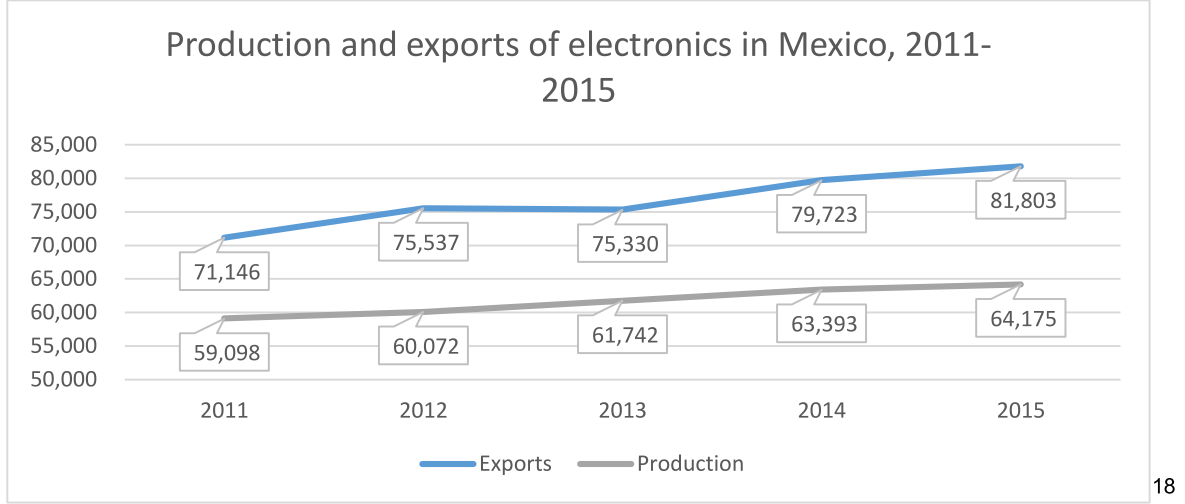
Website: <http://www.bciaerospace.com/mexico/en/>

Aerospace Fair Mexico – Organized by the Mexican government through its air force, the expo includes government agencies on the local and federal level, and over 200 aerospace companies, in addition it has conferences and an Airshow on the last day.

Website: <http://www.f-airmexico.com.mx/en/>

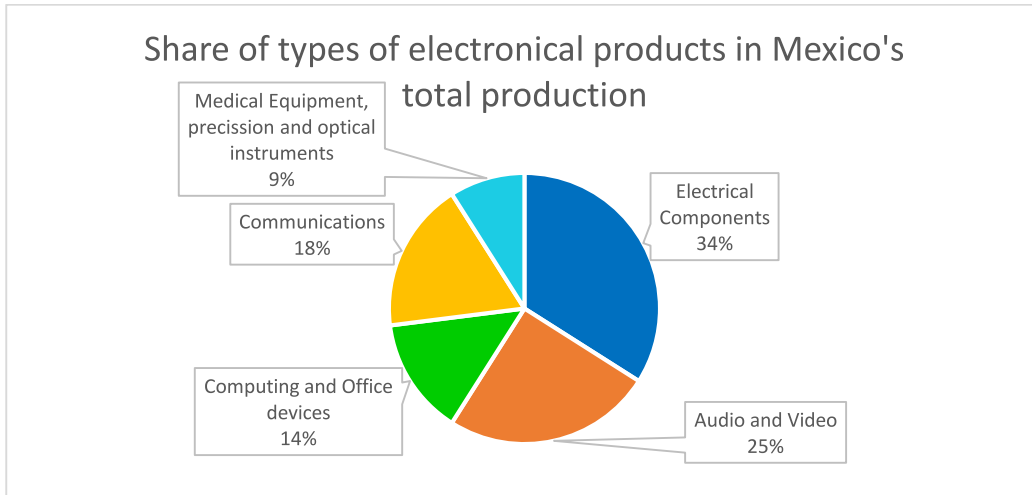
## Electronic Industry

The following figures are in millions of dollars:



It is important to note that in 2007, the production of electronics in Mexico was at 68,393 million dollars, and in 2015, it was 64,175 million dollars, these levels have not recovered yet<sup>19</sup>.

ProMexico<sup>20</sup> estimates that in 2013, the production of this sector in Mexico was 61,771 million dollars:



<sup>18</sup> [http://mim.promexico.gob.mx/wb/mim/elect\\_perfil\\_del\\_sector](http://mim.promexico.gob.mx/wb/mim/elect_perfil_del_sector) 2015 figures are projected

<sup>19</sup> ProMexico [http://mim.promexico.gob.mx/wb/mim/elect\\_perfil\\_del\\_sector](http://mim.promexico.gob.mx/wb/mim/elect_perfil_del_sector)

<sup>20</sup> ProMexico [http://mim.promexico.gob.mx/work/sites/mim/resources/LocalContent/292/2/141216\\_DS\\_Electronic\\_o\\_ES.pdf](http://mim.promexico.gob.mx/work/sites/mim/resources/LocalContent/292/2/141216_DS_Electronic_o_ES.pdf) page 14

They also expect the production to reach a value of 87,608 million dollars by 2020<sup>21</sup>.

Most of the produced electronics are exported to the USA (84.6%) with Canada (2.7%) a distant second place, followed by Colombia (1.2%), Netherlands (1%), China (1%) and Hungary (0.9%), the rest (8.7%) is distributed among other countries.<sup>22</sup>

Some of the electronics companies that are established in Mexico are Samsung, LG, Toshiba, Foxconn, Flextronics and Intel.

The top 10 states with the most “Economic Units” in Mexico are: <sup>23</sup>

State	Economic Units 2015
Baja California	157
Chihuahua	88
Distrito Federal	88
Nuevo León	76
Sonora	63
Jalisco	61
Tamaulipas	48
México	40
Querétaro	32
Coahuila	24
Guanajuato	15
Other states	74

The states with most suppliers of the industry and plants are shown in the following map<sup>24</sup>.

<sup>21</sup> Ibid, page 15

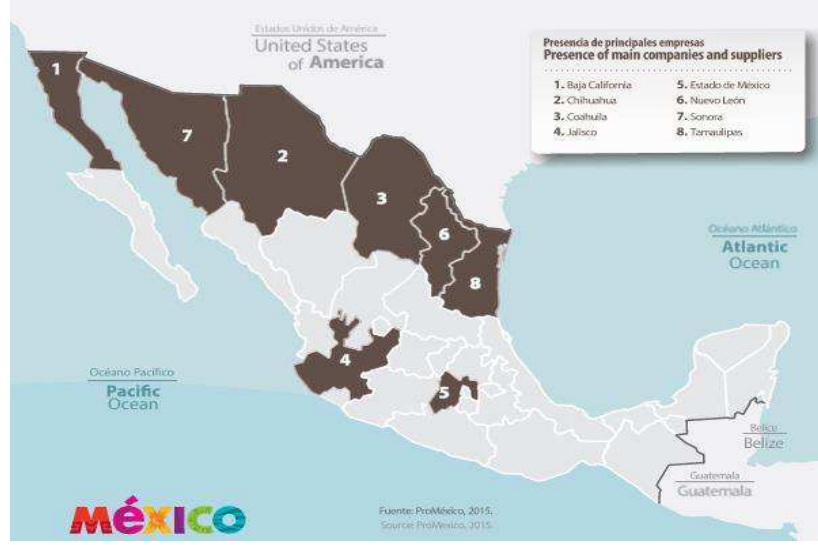
<sup>22</sup> ProMexico

[http://mim.promexico.gob.mx/work/sites/mim/resources/LocalContent/292/2/2014\\_FC\\_Electronico\\_EN.pdf](http://mim.promexico.gob.mx/work/sites/mim/resources/LocalContent/292/2/2014_FC_Electronico_EN.pdf)

<sup>23</sup> ProMexico <http://mim.promexico.gob.mx/JS/MIM/InformacionEstatual/sectores/ELCO/listaing.pdf>

<sup>24</sup> ProMexico [http://mim.promexico.gob.mx/wb/mim/elect\\_mapa\\_de\\_cluster](http://mim.promexico.gob.mx/wb/mim/elect_mapa_de_cluster)





## Associations and Chambers

CANIETI ([National Chamber of the Electronic, Telecommunications, and Information Technologies Industries](#)), CADELEC ([Electronics Production Chain](#)) and CNIMME ([National Council of the Maquiladora, and Manufacturing Industries for Exportation](#)).

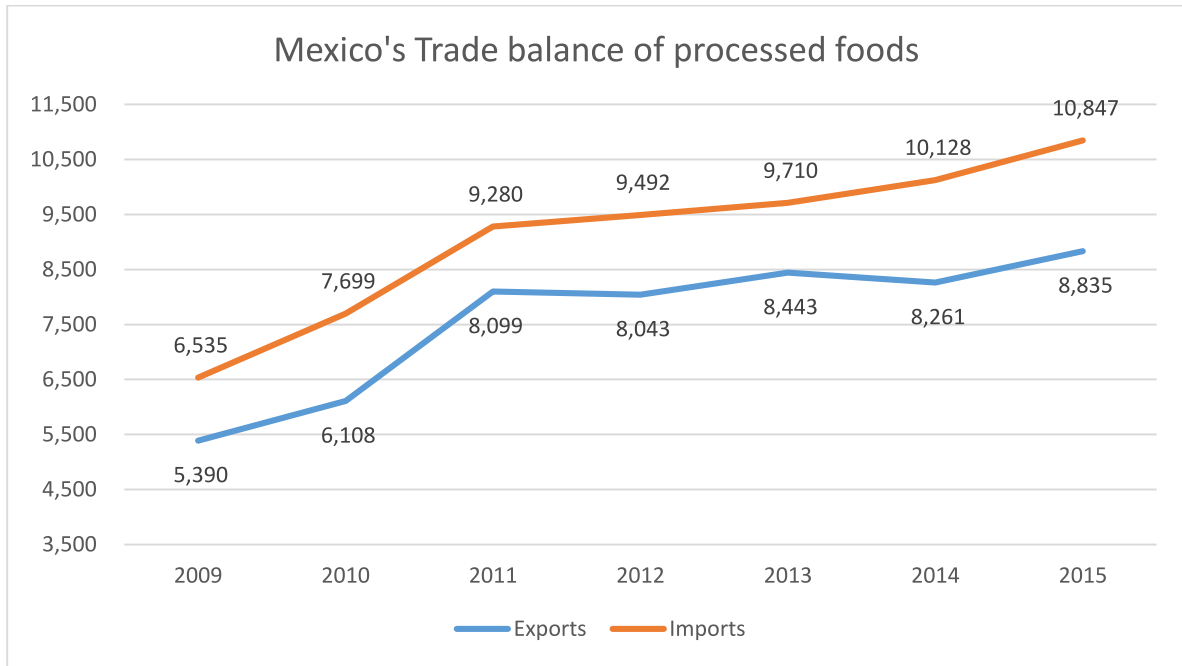
## Important Tradeshows

Electrónica Expo – tradeshow that highlights the main manufacturers and distributors of the electronic industry.

Website: <http://www.electronika.mx/2015/en/>

## Processed Foods

In 2015 the production of processed foods was just over 131 billion dollars, a big increase when just in 2007; this industry was worth just 99,550 million dollars. Most of this production is for internal consumption, proof of this lies in the exports of the industry, which only amounted to 8,835 million USD in 2015. What is interesting is that there is also room for imports, in fact in every year since 2007 there has been a trade deficit in this sector; the following graphic represents this imbalance in trade since 2009 to 2015, in millions of dollars.<sup>25</sup>

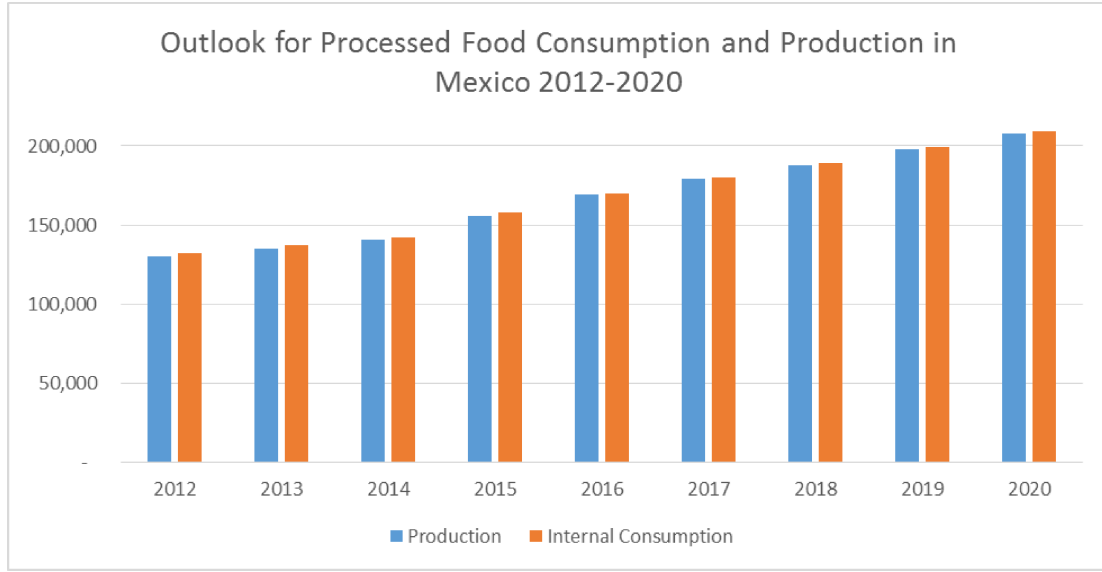


This imbalance in trade could be attributed to the internal consumption is greater than the internal production. This trend is expected to continue into 2020. The following graphic shows figures in millions of dollars, 2012 through 2014 figures are reported numbers, from 2015 onwards, are estimates.<sup>26</sup>

<sup>25</sup> Pro Mexico <http://www.promexico.gob.mx/documentos/sectores/processed-food.pdf> 2015 figures are projected

<sup>26</sup> ProMexico

[http://mim.promexico.gob.mx/JS/MIM/PerfilDelSector/AlimentosProcesados/150727\\_Alimentos\\_IN\\_G.pdf](http://mim.promexico.gob.mx/JS/MIM/PerfilDelSector/AlimentosProcesados/150727_Alimentos_IN_G.pdf) pag 5 and [http://mim.promexico.gob.mx/wb/mim/agroalimentaria\\_perfil\\_del\\_sector](http://mim.promexico.gob.mx/wb/mim/agroalimentaria_perfil_del_sector)



The industry in Mexico has foreign companies like Unilever, Hershey's, PepsiCo, Nestlé and others. However, unlike other industries in Mexico, the Processed Food industry does count with important local players, like Grupo Bimbo, GRUMA, Bachoco, Grupo Industrial Lala, Sigma Alimentos and others.<sup>27</sup>

Another characteristic that sets apart this industry from others in Mexico is the existence of a significant number of economic units in every state of the country.<sup>28</sup>

Economic Units	
State	2015
México	24,751
Puebla	17,256
Oaxaca	15,511
Veracruz	11,811
Distrito Federal	11,569
Jalisco	10,576
Michoacán	9,570
Guanajuato	8,160
Guerrero	7,318
Chiapas	6,536
Hidalgo	6,397
Tlaxcala	5,727
Sonora	4,897
Morelos	4,481
Yucatán	4,122
Sinaloa	3,496
San Luis Potosí	3,454
Tamaulipas	3,243

<sup>27</sup> Ibid

<sup>28</sup> ProMexico <http://mim.promexico.gob.mx/JS/MIM/InformacionEstatual/sectores/AGRO/listaing.pdf>

Nuevo León	3,187
Coahuila	3,063
Chihuahua	2,827
Baja California	2,222
Querétaro	2,193
Zacatecas	1,947
Tabasco	1,708
Durango	1,656
Nayarit	1,556
Aguascalientes	1,488
Quintana Roo	1,263
Campeche	1,100
Colima	1,096
Baja California Sur	832

### Associations and Chambers

CANAINCA ([National Chamber of the Canned Foods Industry](#)), CNIAA ([National Chamber of the Sugar and Alcohol Industries](#)), CANIMOLT ([National Chamber of the Wheat Mill Industry](#)), CANAINPA ([National Chamber of the Bread and Similar Products Industry of Mexico](#)), AMECAFE ([National Association of the Coffee Industry](#)), COMECARNE ([Mexican Meat Council](#)), Confimex/ASCHOCO ([National Association of Manufacturers of Chocolate, Confectionery and Similar Products](#)), ANIAME ([National Association of Edible Oils and Fats Industrials](#)) and others.

### Important Tradeshow

Alimentaria Mexico – international food and drinks exhibition, it includes distributors of food and drinks, food service and manufacturers of food and drinks.

Website: <http://www.alimentaria-mexico.com/en/home>

Foodtech Summit & Expo – expo and conferences. The main exhibitors are purveyors of additives, ingredients and solutions for the food and drinks industry.

Website: <http://foodtechnologysummit.com/english-version/>

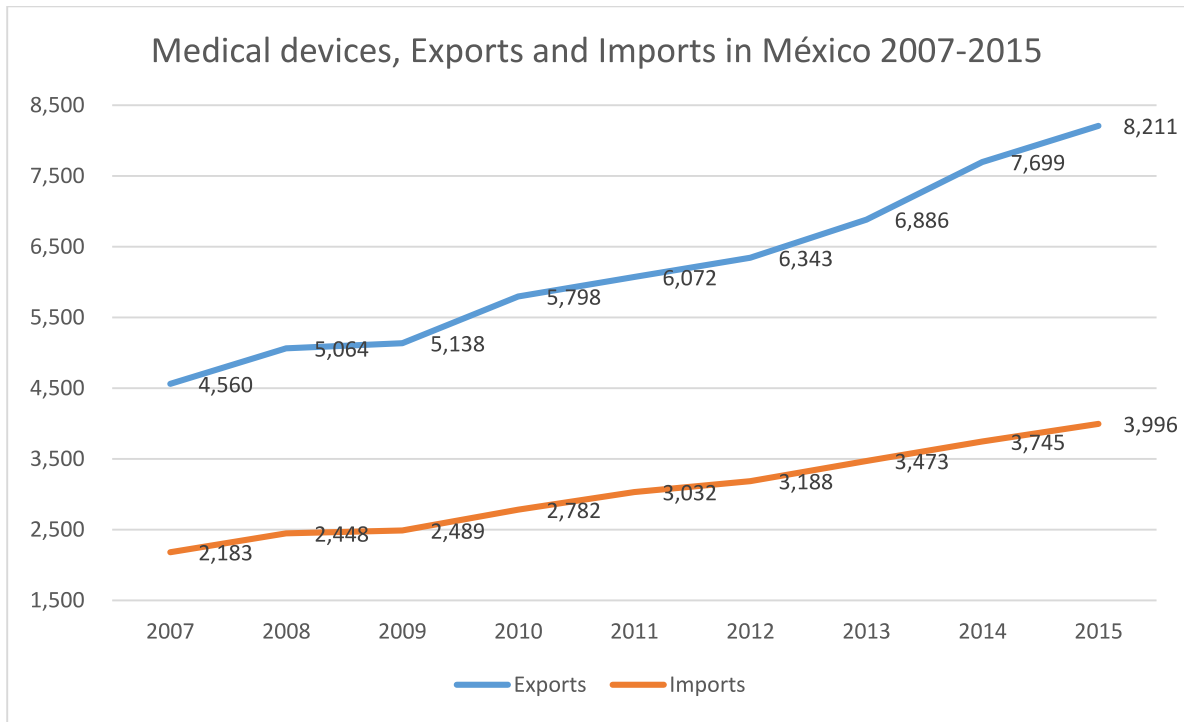
Confitexpo – expo specialized in sweets, chocolates and snacks.

Website: <http://confitexpo.com/>

## Medical Devices

The medical devices industry in Mexico includes medical equipment and supplies, surgical and medical instruments, surgical appliances and supplies, and other measuring and controlling devices, comprehends a production that reached 18,853 million USD in 2015. Back in 2007, the total production was just 9,167 million USD.

In this industry, there is a clear surplus in the international trade balance; this could be because the internal production is greater than the internal consumption. This surplus exists at least since 2006. The historic exports/imports from 2007 to 2015 are presented in the following graphic; all figures are in millions of dollars.

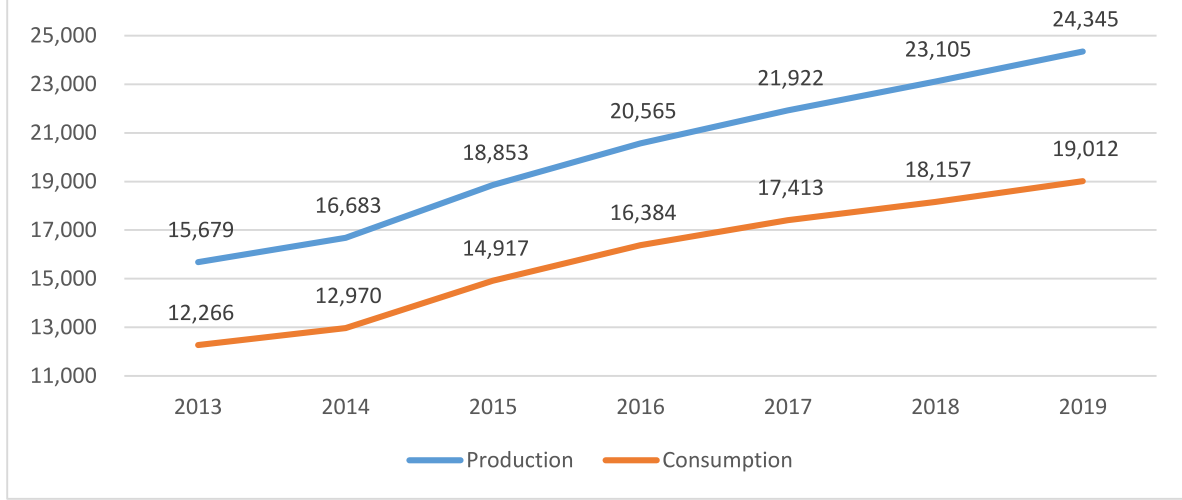


29

The aforementioned surplus in trade balance for this particular industry, could be because the production of medical devices exceeds the internal consumption, this trend is expected to continue at least until 2020, according to projections from ProMexico. The following graph shows figures in millions of dollars, the 2014 and 2015 production and consumption are reported figures, while the rest are projected figures.

<sup>29</sup> [http://mim.promexico.gob.mx/wb/mim/vida\\_perfil\\_del\\_sector](http://mim.promexico.gob.mx/wb/mim/vida_perfil_del_sector) 2015 figures are projected

### Mexico's Production and Consumption of Medical Devices, 2013-2020



30

The most exported products of this industry are medical, surgical, dental or veterinary instruments and apparatus (74.2%), followed by orthopedic devices (10.8%) Mechano-therapy, respiratory therapy and massage equipment (6.6%), the remaining 8.4% are other medical devices.

Some of the producers of these devices in Mexico are Medtronic, Cordis/ARROW International, Medline, Philips AVENT, Hill-ROM, Becton Dickinson and others. Few local players can compete with international corporations established in Mexico; some of the ones that compete are specialized in niche products, like Reytek, specialized in dental prosthesis, and Arigmed specialized in other medical devices like hospital headboards, equipment for gases, intercommunication systems, etc.<sup>31</sup>

There is presence of economic units on all the states; however, the top five states concentrate 46% of the economic units in the country. The following list shows all the states and its economic units.<sup>32</sup>

<sup>30</sup> ProMexico

[http://mim.promexico.gob.mx/work/sites/mim/resources/LocalContent/84/2/DS\\_Dispositivos\\_medicos\\_EN.pdf](http://mim.promexico.gob.mx/work/sites/mim/resources/LocalContent/84/2/DS_Dispositivos_medicos_EN.pdf)

<sup>31</sup> Ibid

<sup>32</sup> ProMexico <http://mim.promexico.gob.mx/JS/MIM/InformacionEstatual/sectores/DMed/listaing.pdf>

<b>State</b>	<b>Economic Units 2015</b>
Distrito Federal	401
México	237
Baja California	189
Jalisco	143
Guanajuato	127
Veracruz	116
Puebla	105
Chihuahua	99
Sonora	83
Michoacán	78
Nuevo León	75
Tamaulipas	69
San Luis Potosi	62
Sinaloa	61
Chiapas	54
Oaxaca	48
Coahuila	47
Aguascalientes	43
Zacatecas	34
Morelos	32
Guerrero	31
Hidalgo	30
Yucatán	30
Querétaro	29
Tabasco	27
Nayarit	25
Durango	19
Tlaxcala	18
Colima	14
Baja California Sur	10
Quintana Roo	4
Campeche	4

The state with the most economic units, along with the most important that are closest to the US-Mexico border, are shown in the following map.<sup>33</sup>



### Associations, Chambers and Relevant Government Dependencies

AMID ([Mexican Association of the Medical Device Industry](#)), CANACINTRA ([National Chamber of the Transformation Industry](#)), CANIFARMA ([National Chamber of the Pharmaceutical Industry](#)), COFEPRIS ([Federal Commission for the Protection Against Health Risks](#)).

### Important Tradeshows

ExpoMED – conferences and expo of manufacturers, importers, distributors, wholesalers, retailers, and medical purveyors in general.

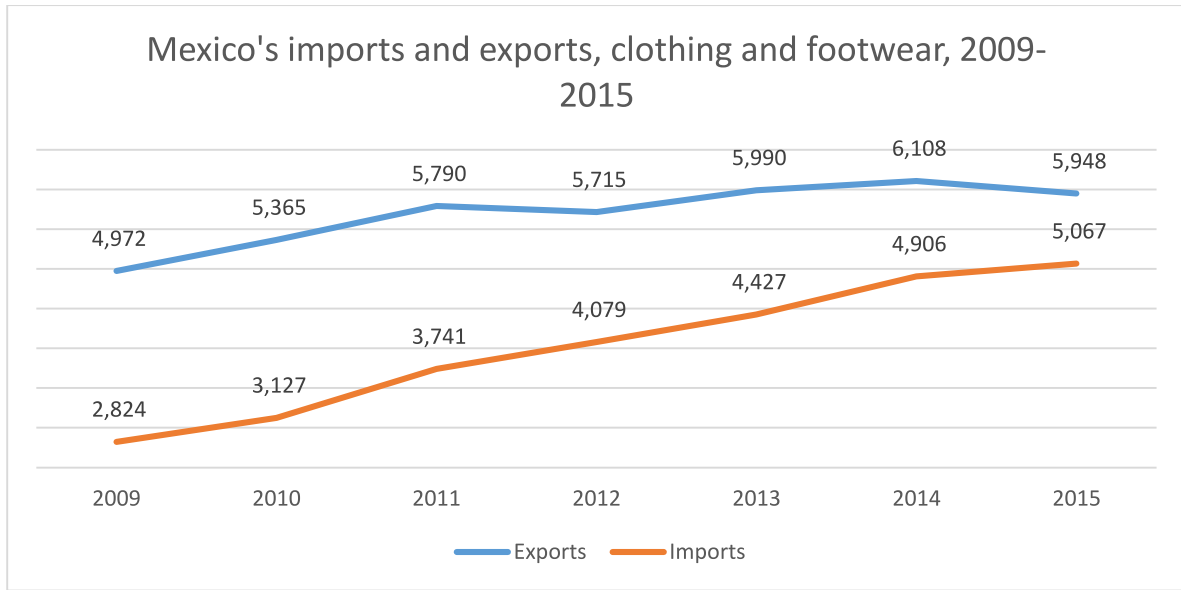
Website: <http://expomed.com.mx/en/>

<sup>33</sup> Ibid



## Textile and Footwear Industry

This industry represented around 5.9 billion USD dollars in exports for the country in 2015. However, back in 2007, the exports of this industry were 6.1 billion USD, with its lowest point being 2009 with just 4.9 billion USD in exports. Meanwhile, the imports have increased since 2007, from 3.1 billion USD in that year, to 5.06 billion USD in 2015.<sup>34</sup>



35

The exports and imports figures are presented in millions of dollars and include articles of apparel, accessories, other articles of apparel and footwear, HS codes from 61 through 64.

For this industry, there is a considerable number of economic units on all the states of the country, but mainly concentrating in Guanajuato, Mexico State, Puebla, Oaxaca, Jalisco, Yucatán and Distrito Federal.

State	Economic Units
Guanajuato	6150
Estado de México	5763
Puebla	3800
Oaxaca	3187
Jalisco	3024
Yucatán	2659
Distrito federal	2590
Veracruz	2576

<sup>34</sup> TradeMap [www.trademap.org](http://www.trademap.org)

<sup>35</sup> Trademap [www.trademap.org](http://www.trademap.org)

Michoacan	2357
Chiapas	1634
Guerrero	1423
Tlaxcala	1143
Hidalgo	1039
Nuevo León	809
Campeche	694
Morelos	634
Sonora	598
Tabasco	533
Tamaulipas	521
San Luis Potosí	518
Chihuahua	509
Sinaloa	494
Coahuila	491
Baja california	490
Aguascalientes	439
Zacatecas	312
Quintana roo	311
Querétaro	305
Durango	290
Nayarit	246
Colima	234
Baja california sur	137

### Associations and Chambers

CANAINTEX ([National Chamber for the Textile Industry](#)), CNIV ([National Chamber of Clothing Industry](#)), CANAICAL ([National Chamber for the Shoe Industry](#)), ANPIC ([The National Association for Suppliers for the Footwear Industry](#)).

### Important Tradeshow

Intermoda – expo, conferences and runways of the fashion industry in Mexico, held twice a year.

Website: <http://intermoda.com.mx/>

SAPICA – conferences and expo specialized in the footwear and leather-goods industry.

Website: <http://www.sapica.com/>

Exintex – conferences and expo specialized in the textile industry; textile fibers, yarn manufacturers, purveyors of cotton, polyester, knitted fabrics and other industry-specific purveyors.

Website: <http://www.exintex.com/index.php/en/>

## How to start a business in Mexico

### Mexican Work Visa

Some of the procedures must be done in Mexico by a person with powers of attorney of the person who will come to work to Mexico at the National Immigration Institute <http://www.gob.mx/> and an interview will be performed at Turkey at the Mexican Embassy, failure to do so will result in the Mexican government asking the Turkish national to leave the country and be told to do the procedures from Turkey. The only exception are Turkish nationals who have direct relatives living legally in Mexico (Mother, father, son, daughter), or who are married to Mexicans. They can do it by themselves in Mexico.

First of all, the person who will apply for a work permit in Mexico must have a Job offer, this job offer must be from a company legally constituted in Mexico and that is registered in the National Immigration Institute in a procedure called “inscripción de empleador”.

The required documents are:

- Copy of an official ID
- Original job offer in letterhead, where it specifies the time the person will be employed, place of work, salary and classification of the job.
- Copy of the “inscripción del empleador”.
- Passport copy.

20 working days are required to receive an answer, if the answer is favorable, an appointment at the Mexican Embassy in Turkey must be made, where the person who will work in Mexico will have an interview with a consular employee.

If the interview is favorable a visa will be extended to the person who will work in Mexico through the embassy.

Once the employee is in Mexico, he or she must go to the National Immigration Institute to change the visa for a “migratory form”.

According to the Mexican government website, this procedure has no fee involved if it is done from Turkey. [Link to the procedure](#). According to the Mexican Embassy in Turkey website the fee will be 279 US dollars for a permit that ranges from 181 days to one year, or 210 US dollars for a permit for up to 180 days. [Link to embassy's website](#).

However, if the procedure is done in Mexico by a student or a temporary resident, it has a \$2,641.80 pesos fee. [Link to this procedure](#).

In the following steps, we assume the visa has been approved and/or a legal representative has been designed in Mexico to carry out all the necessary procedures.

## **Tourism/Business (electronic visa)**

This type of visa is for a Turkish National who will go on a tourism trip to Mexico or who will go for business purposes, but will not be paid by a Mexican company or Mexican person.

It is only valid for a single entry and up to 30 days, when you arrive at the customs in México, the customs might authorize a stay of up to 180 days.

According to the Mexican government, "Holders of a valid U.S. visa or permanent resident of Japan, Great Britain, Schengen Area, Canada or United States do not require a visa to travel to México neither an electronic authorization."<sup>36</sup>

To apply for this visa, you just need a valid Turkish Passport, and a PC connected to the internet. The overview of this visa can be consulted here: [http://www.inm.gob.mx/index.php/page/Inicio\\_Autorizacion\\_Electronica/en.html](http://www.inm.gob.mx/index.php/page/Inicio_Autorizacion_Electronica/en.html)

The application form can be found here: [http://www.inm.gob.mx/index.php/page/Solicitud\\_de\\_Autorizacion\\_Electronica/en.html](http://www.inm.gob.mx/index.php/page/Solicitud_de_Autorizacion_Electronica/en.html)

## **Foreign worker Quotas**

There is no foreign worker quota, in the sense that there is no limit for foreign workers to come to Mexico. However, the Federal Work Law of México in its 7<sup>th</sup> article, states that all companies in México must employ at least a 90% of Mexican workers. It should be noted that in that same article there is a loophole, the people hired as General Directors, Administrators and General Managers do not count towards this percentage, so they can be from any nationality.

## **Registry of Foreign Investment**

First, the Mexican Ministry of Economy requires all foreigners (legal entities or individuals) and all Mexican nationals who have another nationality and reside abroad, that intend to set up a business in Mexico, to register at the foreign investment office.

Said registry can be accomplished at <http://www.rnie.economia.gob.mx/> or in person at the Ministry of Economy (Insurgentes Sur No. 1940, ground floor, colonia Florida, Alvaro Obregón, Distrito Federal, C.P. 01030. Working hours: 9:00 hrs to 14:00 hrs) the registry needs to prove the following:

- a. Foreign entities shall prove that their companies have been incorporated pursuant to their countries laws

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<sup>36</sup> National Institute of Immigration

[http://www.inm.gob.mx/index.php/page/Inicio\\_Autorizacion\\_Electronica/en.html](http://www.inm.gob.mx/index.php/page/Inicio_Autorizacion_Electronica/en.html)

- b. Their social contract and other constituent documents shall not be contrary to the Mexican laws
- 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<sup>37</sup>

This registration is free of charge and can be completed within the next 40 working days after the company starts operations. Once the registration is complete, the company must inform about any changes on the information submitted to the Ministry, it also must present quarterly reports on changes on income, expenditures, the registry must be renovated each year, and a notice of registry cancellation must be filled in case the operations of the company in Mexico cease. All these procedures are free of charge and can be done directly at the offices of the Ministry (same address as the registry and same working hours) or via internet at <http://www.rnie.economia.gob.mx/>.

#### Useful links for this procedure (Spanish)

Registro Nacional de Inversiones Extranjeras (National Registry of Foreign Investments) <http://www.rnie.economia.gob.mx/>

Explanation of obligations to the RNIE according to the entity that will present them: <http://www.rnie.economia.gob.mx/RNIE/faces/obligaciones.xhtml>

Frequently Asked Questions:

<http://www.rnie.economia.gob.mx/RNIE/faces/preguntas.xhtml>

Guides to do the procedures on the website:

<http://www.rnie.economia.gob.mx/RNIE/faces/guiaviainternet.xhtml>

Forms to fill:

<http://www.rnie.economia.gob.mx/RNIE/faces/formatos.xhtml>

#### Quick Look Table: Company Registration

No	Procedure	Time to Complete	Cost to complete
1	<b>Obtain the authorization of using the company name online and file the draft deed of incorporation with the notary online</b>  The applicant can obtain the authorization of using the company name online from the website	Less than one day (online procedure)	no charge

<sup>37</sup> ProMexico <http://promexico.gob.mx/en/mx/pasos-invertir-mexico>

	<p>www.tuempresa.gob.mx and the Ministry of Economy will issue the corresponding authorization. After the authorization is given, the entrepreneur can choose the notary public that will grant the incorporation deed and then file online the draft of incorporation deed together with the authorization issued by the Ministry of Economy. The notary public informs the entrepreneur by email of the appointment to sign the incorporation deed.</p> <p><i>Agency: Ministry of Economy (Secretaría de Economía)</i></p>		
2	<p><b>Sign the deed of incorporation before a notary public, obtain Tax Registry Number (RFC) and file online the deed of incorporation with the Public Register of Commerce</b></p> <p>If the notary public drafts or provides expert advice on the company bylaws, notary fees are generally high, from MXN 5,000 to MXN 11,000. The company charter and bylaws must be drafted before appearing before a notary public. Certain notaries in Mexico City have signed an agreement with the Ministry of Finance and Public Credit (Secretaría de Hacienda y Crédito Público) (through the Sistema de Administración Tributaria, SAT) to grant the tax registration number. The notary who issues the tax registration number must also issue the deed of incorporation. The notary files the notarized deed of incorporation with the Public Registry of Commerce through the online portal - <a href="http://tuempresa.gob.mx">tuempresa.gob.mx</a> - and obtain the tax number online as well. It usually takes the notary 2-3 days to review the documents and process the final incorporation deed for execution by the relevant parties.</p> <p><i>Agency: Public Notary</i></p>	2 days on average	MXN 10,500 (notary fees) + MXN 14,899 (registration fees)
3	<p><b>Register with the Mexican Social Security Institute (IMSS)</b></p> <p>In order to make this registration faster the company must file a pre-application on the website of the IMSS, and an appointment in order to register the company at the IMSS offices is generated, the website follows: <a href="http://www.imss.gob.mx/patrones/alta-patronal">http://www.imss.gob.mx/patrones/alta-patronal</a>.</p> <p><i>Agency: Mexican Social Security Institute (IMSS)</i></p>	1 day	no charge
4	<p><b>Register with the local tax administration (Secretaría de Finanzas del Gobierno del Distrito Federal) for payroll tax</b></p> <p>The company must register with the local tax administration after registering with the IMSS. The local office can be found at <a href="http://www.finanzas.df.gob.mx">www.finanzas.df.gob.mx</a>. The tax registration number and the company's postal code are required to register.</p> <p><i>Agency: Ministry of Finance and Credit</i></p>	1 day	no charge
5	<p><b>Notify the local government (Delegación) online of the opening of a mercantile establishment.</b></p> <p>The notice of opening a mercantile establishment is fully completed online through the website <a href="http://www.sedeco.df.gob.mx">www.sedeco.df.gob.mx</a>. For low risk activities, the notification record is received automatically in an email.</p>	Less than one day (online procedure)	no charge

	<i>Agency: local tax administration</i>		
6	<p><b>Register with the National Business Information Registry (Sistema de Información Empresarial, SIEM)</b></p> <p>Mandatory registration with the National Business Information Registry (Sistema de Información Empresarial, SIEM) has been in effect since January 1997. The company will be registered with the specific chamber corresponding to its corporate purpose or activities. The cost varies with the number of employees and the company's activities as shown below. Fees for industry related activities (maximum fees)</p> <ul style="list-style-type: none"> <li>-6 or more employees \$ 670</li> <li>-3 to 5 employees \$ 350</li> <li>-Up to 2 employees \$ 150</li> </ul> <p>Fees for commercial and services related activities (maximum fees):</p> <ul style="list-style-type: none"> <li>-4 or more employees \$ 640</li> <li>-3 or less employees \$ 300</li> <li>-Up to 2 employees \$ 100</li> </ul> <p>The costs can vary from MXN \$100 to MXN \$670.</p> <p><i>Agency: Local Government Office or Delegation</i></p>	1 day	The costs can vary from MXN \$100 to MXN \$670

The above table is only valid for Mexico city and was taken from: World Bank. 2016. *Doing Business 2016: Measuring Regulatory Quality and Efficiency*. Washington, DC: World Bank Group. DOI: 10.1596/978-1-4648-0667-4. License: Creative Commons Attribution CC BY 3.0 IGO

## Registration of the Legal Name of the Entity or Company

This procedure is done at the Ministry of Economy, or via Internet. In order to do this procedure an RFC (Federal tax identification number) is needed, as well as a FIEL signature (Digital Electronic Signature) both documents can be obtained from the Servicio de Administración Tributaria (Tax Administration Service). The registration is done at the following website <http://www.tuempresa.gob.mx/>. If a registration directly at a delegation of the Ministry is preferred, here is a list of offices where the registration can be done [list](#).

### Useful links for this procedure (Spanish)

RFC and FIEL Procedure: [SAT](#)

List of Ministry of Economy delegations: [list](#)

Website for the procedure: <http://www.tuempresa.gob.mx/>.

## Forming a legal entity

All societies must be founded before a “corredor público” (commercial notary public) and/or a “notario público” (notary public) and any modification must be done before one of the aforementioned authorities.

The articles of incorporation of a society must contain:

- The names, nationalities and address of the natural persons or legal entities that constitute the society.
- The objective of the society.
- Its “Razón Social” (legal name) or denomination of the society.
- Duration of the society
- The amount of share capital.
- It must include the amount of money or other assets that each partner contributes, the value attributed to these assets and the criteria for this valuation. If the company is founded as “capital variable” (variable capital) the name must reflect this, and a minimum must be set.
- Address of the society.
- The way the society will be administered and the faculties of the administrators.
- The names of the administrators and those who will have the corporate signature.
- The way that profits and losses will be distributed among the partners of the society.
- The amount of the reserve fund.
- In which cases the society shall be dissolved with anticipation.
- The way the society will be liquidated and the way to choose liquidators, when these have not been assigned with anticipation.<sup>38</sup>

The cost of this procedure varies according to the amount of share capital the legal entity will have and the state where this procedure will be completed.

## Useful links for this procedure

List of notary publics in Mexico: [list](#).

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<sup>38</sup> SIEM <http://www.siem.gob.mx/guiasdetramites/NotaPersona.asp?Tipo=2>



## Types of Legal Entities

There are several types of legal entities that can be formed to conduct business in Mexico; the most common ones are listed in the next table, along with their literal translations and a brief description of them. It is not an exhaustive list.

Name	Minimum of		Capital represented by	Liabilities of the shareholders	Type of legal administration
	Shareholders	Share Capital			
<b>Sociedad Anónima (S.A.)</b> <i>Anonymous Society</i>	Two	\$50,000	Shares	Only the payment of their shares	An only administrator or a board of administration, that can be integrated by shareholders or non-shareholders.
<b>Sociedad en Nombre Colectivo (S.N.C.)</b> <i>Society in Collective Name</i>	No legal minimum	No legal minimum	Shares	The shareholders must answer with unlimited liability and jointly the obligations of the society	One or several administrators, they can be shareholders or non-shareholders.
<b>Sociedad en Comandita Simple (S.C.S.)</b> <i>Society in Simple Partnership</i>	One or several partners	No legal minimum	Partes Sociales <i>Social Portions</i>	The partners must answer with unlimited liability and jointly the obligations of the society, additionally they must answer any liability of those partners that are responsibly only pf their contributions	The partners (comanditarios) cannot administer the society
<b>Sociedad de Responsabilidad Limitada (S. de R.L.)</b> <i>Limited Liability Society</i>	No more than 50 partners	\$3,000.00	Partes Sociales <i>Social Portions</i>	Only the payment of their contributions	One or more managers, they can be partners or non-partners.
<b>Sociedad en Comandita por Acciones (S.C.A.)</b> <i>Society in Partnership by Shares</i>	One or several partners	No legal minimum	Shares	Same as "sociedad en comandita simple"	Same as "sociedad en comandita simple"
<b>Sociedad Cooperativa (S.C)</b> <i>Cooperative Society</i>	5 Partners	Contributions from partners, donations and yields from the society.	by the operations of the society	Ensure the social improvement and economical of the partners and split the yields pro rata	General Assembly, Board of Administration, Board of Surveillance, and other commissions designated by the general assembly

Most legal entities can be added the “Capital Variable” (Variable Capital) modifier, this means that the society can increase or decrease its capital without having to change the legal document that creates them “Acta constitutiva” (Articles of Incorporation). Additionally, there is the type “Sociedad Anónima Bursátil” (Anonymous Stock-market Society) which works just like a regular “Sociedad Anónima” but the law requires this name if the company’s stock trades in the Mexican stock market.

Societies that work with “Partes Sociales” (Social Portions) work differently regarding the way the participation of the partners. In other societies partners have shares that can be more or less freely traded, in societies with “partes sociales” the partner does not receive a legal paper that can be traded, if the partner wishes to sell their portion of the capital, it must have the permission of other partners.

## **Registry of the Articles of Incorporation**

The articles of incorporation must be registered in the “Registro Público de la Propiedad y el Comercio” (Public Registry of the Property and Commerce), this must be performed on the municipal level; its cost varies according to the share capital of the company and according to each municipality.

## **Useful links for this procedure**

List of Public Registries: <http://www.siger.gob.mx/siger/registro.pdf>

From this point onwards, the procedures may vary greatly, depending on the industry the company is in, the number of employees and the place where it will have its operations.

The Enterprise Information System (SIEM) from the Mexican Government has a tool that allows any entrepreneur to see what kind of procedures are needed to start a business, you only need to feed it what kind of business it will be and where it will be.

In this case, we will see the procedures for a plant for manufacturing transmission parts for automobile and trucks in Cuautitlán, Mexico State.

In addition to the aforementioned steps, it will be needed:

## **“Dictamen de Impacto Regional” (Regional Impact Ruling)**

This procedure is carried out in the “Centro de Atención Empresarial” (Enterprise Attention Center) of the municipality. It takes 15 working days to get an answer, it lasts for one year and its costs vary in each municipality.

This procedure is needed to get a land use permit, and is only needed if the piece of land where the company will set up operations is greater than 300 square meters.

### **“Factibilidades de Uso Específico del Suelo” (Land use permit)**

It simply is an authorization to use the land for commerce, manufacturing, etc. For this particular municipality, the procedure is done at the Regional Direction, it takes 8 to 12 working days to get an answer, this permit does not expire, and it costs 10 days of the minimum wage for this municipality.

### **“Autorización de Impacto Ambiental” (Environmental Impact Permit)**

A procedure assesses the environmental impact that the industry will have. It can take the form of a risk assessment, a preliminary report or a study of environmental impact. The authority defines which one is needed, the costs can vary, from \$3,922.00 pesos, up to \$12,753.00 pesos, its expiration varies. This permit can be obtained at the Enterprise Attention Center of the municipality.

### **“Visto Bueno” (Approval)**

An approval of the facilities is needed from the municipality, except in those cases where business or industries need approval from a state authority. It takes from eight to twelve working days to get an answer, the approval lasts for a year, it is free of charge, and it can be obtained at the Enterprise Attention Center of the municipality.

### **Dictamen de Factibilidad de Servicios de Agua Potable y Saneamiento (Water, Drainage and Sanitation Ruling)**

A ruling is needed to determine that the facilities will have running water, access to drainage and sanitation services. It is obtained at the Water Commission of the state, takes 15 working days to get an answer, it is free of charge and it does not expire.

### **Licencia de Funcionamiento Municipal (Municipal Permit)**

A permit from the municipality is needed to start operations. This permit is obtained at the Enterprise Attention Center of the municipality, it takes from eight to fifteen days to get an answer, it last for a year and its cost varies according to the size of the area where the operations will be carried out.

At this point, the company can start operations, however that does not mean the company is done with government procedures, among the most important ones are:

## **Registro Empresarial Ante el IMSS (Employee Social Security Registry)**

If the company has any employees, the government requires a registration of the company in order to ensure that the employees will receive social security benefits.

This registration can be started on-line and finished in the corresponding office of the Mexican Institute of Social Security (IMSS), the procedure itself is free of charge, but it ensures that the company will pay benefits to its employees.

### **Useful links for this procedure (Spanish)**

Requirements to do this procedure: <http://www.imss.gob.mx/tramites/imss02001c>

Directory of the offices where this procedure must be finished: “[Subdelegaciones](#)”

## **Alta en el Padrón de Contribuyentes del Impuesto Sobre Erogaciones por Remuneraciones al Trabajo (Tax On Wages Registry)**

This registration carried out with local authorities, if the company pays in cash or in-kind to workers. This procedure must be done at the local “Centro de Servicios Fiscales” (center of fiscal services); this procedure is free of charge.

### **Useful links for this procedure (Spanish)**

Directory of offices in Mexico: [SAT](#).

## **Business Specifics**

### **Minimum Wages in Mexico**

A few years ago México was divided in several “Economic Zones”, which meant that there were several minimum wages across the country, recently the government eliminated this for the sake of simplicity and currently there is only one minimum wage on the country which is 73.04 pesos per day.

Additionally, a set of “professional wages” are set by the Labor and Social Welfare Ministry. Further clarification on the definition of the professional wages can be consulted at: [http://www.conasami.gob.mx/def\\_prof\\_ofi\\_trab\\_esp\\_A.html](http://www.conasami.gob.mx/def_prof_ofi_trab_esp_A.html)

## Employee Benefits or ‘cost of hiring’

In Mexico the employer is forced to pay a share of the profits generated during a year to the employees, this is called “Share of workers in profits”, commonly abbreviated as PTU in Spanish. Commonly in a year, the 10% of the profits of a company are set aside to share equally with all employees. If an employee did not work the whole year, its proportional share is paid. Companies commonly sidestep this benefit by creating a company that is a sort of holder for the employees’ payroll, thus minimizing it or eliminating it.

### Quick Look Table: Hiring

Hiring	Mexico City	Monterrey
Fixed-term contracts prohibited for permanent tasks?	Yes	Yes
Maximum length of a single fixed-term contract (months)	No limit	No limit
Maximum length of fixed-term contracts, including renewals (months)	No limit	No limit
Minimum Wage (Pesos per day)	73.04	73.04
Incentives for employing workers under 25 years of age?	No	No

Table taken from: World Bank. 2016. *Doing Business 2016: Measuring Regulatory Quality and Efficiency*. Washington, DC: World Bank Group. DOI: 10.1596/978-1-4648-0667-4. License: Creative Commons Attribution CC BY 3.0 IGO

### Quick Look Table: Working Hours

Working Hours	Mexico City	Monterrey
Maximum number of working days per week	6	6
Premium for night work (% of hourly pay)	0	0
Premium for work on weekly rest day (% of hourly pay)	25	25
Premium for overtime work (% of hourly pay)	100	100
Restrictions on night work?	0	0
Whether nonpregnant and nonnursing women can work the same night hours as men	Yes	Yes
Restrictions on weekly holiday?	0	0
Restrictions on overtime work?	Yes	Yes
Paid annual leave for a worker with 1 year of tenure (in working days)	6	6
Paid annual leave for a worker with 5 year of tenure (in working days)	14	14
Paid annual leave for a worker with 10 year of tenure (in working days)	16	16
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	12	12

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### Quick Look Table: Redundancy Regulations

Difficulty of redundancy index	Mexico City	Monterrey
Maximum length of probationary period (months)	1	1
Dismissal due to redundancy allowed by law?	Yes	Yes
Third-party notification if one worker is dismissed?	Yes	Yes
Third-party approval if one worker is dismissed?	Yes	Yes
Third-party notification if nine workers are dismissed?	Yes	Yes
Third-party approval if nine workers are dismissed?	No	No
Priority rules for redundancies?	Yes	Yes
Priority rules for reemployment?	Yes	Yes

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### Quick Look Table: Redundancy Cost

Redundancy cost indicator (in salary weeks)	Mexico City	Monterrey
Notice period for redundancy dismissal for a worker with 1 year of tenure	0	0
Notice period for redundancy dismissal for a worker with 5 years of tenure	0	0
Notice period for redundancy dismissal for a worker with 10 years of tenure	0	0
Severance pay for redundancy dismissal for a worker with 1 year of tenure	14.6	14.6
Severance pay for redundancy dismissal for a worker with 5 years of tenure	21.4	21.4
Severance pay for redundancy dismissal for a worker with 10 years of tenure	30	30

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## Quick Look Table: Job Quality

Job Quality	Mexico City	Monterrey
Equal remuneration for work of equal value?	No	No
Gender nondiscrimination in hiring?	Yes	Yes
Paid or unpaid maternity leave mandated by law?	Yes	Yes
Minimum length of maternity leave (calendar days)?	84	84
Receive 100% of wages on maternity leave?	Yes	Yes
Five fully paid days of sick leave a year?	No	No
On-the-job-training?	Yes	Yes
Unemployment protection after one year of employment?	No	No
Minimum contribution period of unemployment protection (months)?	n.a.	n.a.
Can employee create or join union?	Yes	Yes
Administrative or judicial relief for infringement of employees' rights?	Yes	Yes
Labor inspection system?	Yes	Yes

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## Social Security

Social Security in Mexico costs around 17% of the employee's wage; it can vary depending on the risk of the activity. Technically the company does not pay sick-days to the employee, rather by paying social security; the government pays the employee when he gets sick.

SAR (Pension), approximately 2% of the wage.

Housing Loan through INFONAVIT 5%. This is a housing fund; it provides loans to employees to acquire a home.

Paid Vacation, the first day of work the employee is entitled to 6 days of paid vacations. The law increases the number of paid days each year (two days each year). Companies usually sidestep it by doing a one-year contract, by renewing it each year; this way the employee does not get seniority.

According to the law, after each six days of work, the employee can enjoy at least one day off paid in full.

If a worker has to work on a Sunday, he or she is entitled to a 25% bonus on his or her daily wage.

If a worker has to work on his or her day off, the employer must pay double that day.

By law, there are eight non-workable days. January first, The first Monday of February, The third Monday of March, May 1<sup>st</sup>, September 16<sup>th</sup>, The third Monday of November, December 25<sup>th</sup>, and any day when there are federal or local elections.

An “Aguinaldo” or Christmas bonus must be paid to each worker; this bonus is equal to 15 days of wage. It must be paid before December 20<sup>th</sup> of each year. If a worker did not work the whole year before this date, then he or she must be paid the proportional amount to the days he worked.

Severance pay, if an employee is terminated without justified cause, the employer must pay three months of wages, plus 20 days of wage for each complete year of service, plus other expenses that change on a case-by-case basis. Justified causes criteria are described on article 47 of the Federal Labor Law. It usually is very hard to prove a justified cause for termination, and the workers can start a lawsuit to demand severance pay, if the firm loses the lawsuit, it could potentially have to pay the worker’s wage for the duration of the lawsuit, even if the employee was not working during the length of the lawsuit. Usually a settlement is negotiated with the to-be-terminated worker.

In general, a company can expect to pay around 35% of the pay roll in social security, labor contributions and payroll tax. Nevertheless, the company can deduct contributions to pension, retirement and medical benefits up to 47% of the amounts paid. This deduction percentage can increase to 53% if they are at least on the same level for a second year. In example on the first year, a company pays \$100 in these contributions, then it can be deducted up to 47%; the next year if the contributions are again \$100 or more, then it can be deducted up to 53%.

## **Taxes**

Normally, a company withholds the income tax of its employees, this can be up to 30% of their salary, depending on how much they make.

Value Added Tax, a sixteen percent tax must be paid in virtually all operations, in example when a company buys machinery, it must pay VAT, if a person buys chair he or she must also pay VAT. This tax can be deducted from a company’s tax burden. In example, if the company bought supplies and it paid VAT, the amount paid on VAT can be deducted from its income tax.

State taxes can vary, and they usually affect property taxes.

Hiring handicapped persons is not mandatory for any company in Mexico; nevertheless, there are tax incentives for those firms that hire people with handicaps.<sup>39</sup>

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<sup>39</sup> <http://capacidadesyempleo.stps.gob.mx/#incentivos>



## Quick Look Table: Taxes

Tax or Mandatory Contribution	Number of Payments	Notes on payments	Time in hours	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Corporate income tax	1	Online	122	30%	Taxable Profit	25.44	
Employees' social security, share paid by the employer	1	Online	64	Various rates	Gross Salaries	22.01	
Employer paid – Payroll tax	1	Online		3%	Gross Salaries	3.38	
Property tax	1	Online		Various rates	Property Value	0.86	
Vehicle tax	1	Online		Various rates	Value of Vehicle	0.04	
Value Added Tax	1	Online	100	16%	Sale Price	0	Not included
Employees' Social Security, employee's share	0	Jointly		Various rates	Gross Salaries	0	Withheld
<b>Totals</b>	<b>6</b>		<b>286</b>			<b>51.7</b>	

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## “Protección Civil”

In general, every single company needs to be evaluated by “protección civil” which is an entity from the government that accredits that the workplace is safe to use by the employees. In general, a company only needs to have at least one fire extinguisher, emergency exits clearly labeled, and a first aid kit. In some cases, the company will need a “risks and vulnerabilities assessment” a report on the state of the electrical and gas installations of the company, a report on the state of escalators and elevators the building might have, and the company will need to train personnel in first aid procedures, firefighting and evacuation.<sup>40</sup> Other requirements might be specific to an industry and specific to a municipality or state.

## Unions

The labor law permits groups of 20 employees or more to form or join unions, in general there is no law indicating a payment from the company to the union, in most cases the costs of the union are deducted from the employees' wages.

A union may initiate negotiations with the company on wages, sign collective agreements on behalf of the employees, monitor work and safety, demand training

<sup>40</sup> <http://www.proteccioncivil.gob.mx/>

from the employer for the workers, establish work rules and it might challenge tax declarations to determine the share of profits (PTU).

### Quick Look Table: Construction Permits

No	Procedure	Time to Complete	Cost to Complete
1	<p><b>Request and obtain the alignment certificate (alineamiento) and official number (número oficial)</b></p> <p>The relevant agencies for this procedure are the Delegational One-Stop Shop (Ventanilla Única Delegacional), the Urban Development and Housing Ministry (Secretaría de Desarrollo Urbano y Vivienda), and the Federal District Department (Gobierno del Distrito Federal). Either a simple original copy or a certified one is acceptable.</p> <p>For the official number, the Federal District Department will assign a single official number for each property, at the request of the interested party, that has a front facing the public pathway. For the official alignment, the plot across the land indicates the restrictions or expropriation lines to be respected in the interaction between the property and the public pathway. Obtaining the single zoning certificate stating specific land use and feasibility is required.</p> <p>The following documents must be submitted: • Proof of payment of applicable real estate taxes (copy) • Public deed certifying property or title ownership (original and copy) • Payment of all fees • Application form (original) • Identification of the person completing the procedure and document certifying the respective identity (original and copy)</p> <p>Payment is made the same day when the certificate is requested. At the same time, a date is set for the taxpayer to return to receive the certificate, generally within 3 or 4 working days. The certificate is valid for 2 years.</p> <p>The cost is established by the Financial Code of the Federal District, Articles 233 and 234. The official cost, as amended in December 2014, is the sum of the alignment at MXN 37.24 per linear meter in the front of the building, plus a general fee for the official number at MXN 242.30. In this case, the front of the building is assumed to be 22.5 meters, so the total cost would be MXN 1,080.20 (= 37.24 x 22.5 m+242.30) .</p> <p>The official time limit is 8 days, but in practice, the process can take 1 -- 2 weeks.</p> <p><i>Agency: Delegational One-Stop Shop (Ventanilla Única Delegacional), Urban Development and Housing Ministry (Secretaría de Desarrollo Urbano y Vivienda), and Federal District Department (Gobierno del Distrito Federal)</i></p>	11 days	MXN 1,080
2	<p><b>Request and obtain single zoning certificate stating specific land use and feasibility</b></p> <p>At this stage, BuildCo obtains the document that certifies whether a specific use of a given building is authorized. The Financial Code of the Federal District, Article 235, Section III, was amended in December 2014.</p> <p><i>Agency: Subdirección de Ventanilla Única of the Secretaría de Desarrollo Urbano y Vivienda attached to the Dirección del Registro de los Planes y Programas de Desarrollo Urbano of the Dirección General de Desarrollo Urbano</i></p>	12 days	MXN 1,296
3	<p><b>Request and obtain a water feasibility study</b></p>	12 days	MXN 788,549

	<p>This certificate reflects the technical opinion of the competent administrative units and indicates whether water supply and sewage and rainwater drainage services are feasible. This procedure precedes the application for drinking water supply.</p> <p><i>Agency: Sistema de Aguas de la Ciudad de México</i></p>		
4	<p><b>Register Construction Statement Type B</b></p> <p>Construction Statement Type B applies to nonresidential or mixed uses of up to 5,000 square meters or up to 10,000 square meters for residential use or for single-family dwelling units within a risk zone.</p> <p>The following documents must be submitted:</p> <ul style="list-style-type: none"> <li>• Valid alignment certificate and official number (simple original copy or certified one)</li> <li>• Single zoning certificate for specific land use and feasibility (simple original copy or certified copy for collation)</li> <li>• Four copies of the architectural project for the construction work on duly outlined scale maps and containing all specifications regarding materials, finishes, and equipment to be used, signed by the owner, the director responsible for the construction work, and the co-responsible party for urban and architectural design and installations, as the case may be</li> <li>• Project descriptive report</li> <li>• Calculation report</li> <li>• Registration and identification card of the director responsible for the construction work and the co-responsible party for structural safety, urban and architectural design, and installations as appropriate (simple original copy or certified copy for collation)</li> <li>• Two copies of the structural design signed by the director responsible for the construction work and the co-responsible party for structural safety</li> <li>• Proof of payment of improvement taxes for potable water and sewerage works provided by the Federal District Department and license issuance fees if the application is required (simple original copy or certified copy for collation). Because the building considered here requires installation or modification of the water main and hook-up to the sewage system, the application and proof of payment of the corresponding fees are attached.</li> </ul> <p>After registration of the construction statement, the one-stop shop (Ventanilla Única Delegacional) reviews the submitted data and documents and verifies the progress of the construction work under the terms stated in the Administrative Verification Rules (Reglamento de Verificación Administrativa) for the Federal District.</p> <p>The director responsible for the construction work undertakes to post a signboard showing the registration number in the construction work statement and the general construction work data, including the location and statement validity. The signboard must be posted in a visible place and legible from the public pathway.</p> <p>The validity of the statement (for construction work completion) is as follows:</p> <ul style="list-style-type: none"> <li>• Up to 300 square meters: 1 year</li> <li>• 300 -- 1,000 square meters: 2 years</li> <li>• More than 1,000 square meters: 3 years</li> </ul> <p>The cost breakdown for obtaining the building permit is the following:</p> <ul style="list-style-type: none"> <li>• Register: MXN 545.50 (DF Tax Code 2015 Article 185, Sec. B, fr. I, p.a)</li> <li>• Analysis: MXN 79.53 x 1,300.6 m2 = MXN 103,436.71 (DF Tax Code 2015 Article 185, Sec. B, fr. I, p.b)</li> <li>• Compensations for the Environment: MXN 42.10 x 1300.6 m2 = 54,755.26 MXN (DF Tax Code 2015 Article 300)</li> <li>• Compensations for road impact: MXN 121.50 x 1300.6 m2 = 158,022.9 MXN (DF Tax Code 2015 Article 301)</li> </ul>	1 day	MXN 788,549

	<ul style="list-style-type: none"> <li>• Rights for new water and sewage connection: MXN 306.68 x 1300.6 m2= 398,868 MXN (DF Tax Code 2015 Article 302)</li> </ul> <p>TOTAL= 715,628.39 MXN</p> <p>The cost breakdown for water and sewage:</p> <p>A) Services of Hydraulic Construction and Operation (Art. 181)</p> <ul style="list-style-type: none"> <li>• Water Connection: MXN 13,924.20 (DF Tax Code Article 181, Section A, fr. I, p. c)</li> <li>• Water measurer device: MXN 6,986.34 (DF Tax Code Article 181, Section A, fr. III, p. c)</li> <li>• "Armado de Cuadro": MXN 1,461.50 (DF Tax Code Article 181, Section A, fr. IV, p. c)</li> <li>• Sewage Connection: MXN 9,428.22 (DF Tax Code, Article 181, Section B, fr. I, p. a) (Escogemos terreno tipo I y II)</li> </ul> <p>B) Authorization to use the Water and Sewage Network (Art. 182)</p> <ul style="list-style-type: none"> <li>• Technical assessment: MXN 39,908.58 (DF Tax Code, Article 182, fr. I, p. 2)</li> <li>• Water pipes usage fee: MXN 1,211.85 (DF Tax Code, Article 182, fr. III)</li> </ul> <p>TOTAL = 72,920.69</p> <p>Thus, the total cost to Register Construction Statement Type B based on "Codigo Fiscal del Distrito Federal" amended in December 2014 is the following: MXN 715,628.39 + MXN 72,920.69 = MXN 788,549.08</p> <p>The cost for the water connection includes the installation of the main pipeline, board, and meter. The cost to connect to water and sewage services are included in this procedure since the proof of payment of such fees are needed to request connection to these utility services (procedure 10). The cost is established by the Financial Code of the Federal District.</p> <p><i>Agency: Ventanilla Única Delegacional</i></p>		
5	<p><b>Notify the Municipal Authority upon completion of construction work</b></p> <p>The notification of completion is made in writing once the construction has been completed. Once notified, inspectors may visit the location within a week to verify the construction is in compliance with all applicable regulation.</p> <p><i>Agency: Municipality</i></p>	1 day	no charge
6	<p><b>Receive inspection upon completion of construction work from Directorate of General Works</b></p> <p><i>Agency: Directorate of General Works (Municipality)</i></p>	1 day	no charge
7	<p><b>Request and obtain occupancy clearance</b></p> <p>Building use clearance is granted by the one-stop shop.</p> <p><i>Agency: Delegational One-Stop Shop</i></p>	6 days	no charge
8	<p><b>Request and obtain authorization from civil protection</b></p> <p>An inspection from the civil protection agency (Secretaria de Protección Civil) will not be necessary -- only for more complex installations. After the form and the emergency plan are filed, the civil protection agency will issue a certificate within 7 days.</p> <p><i>Agency: Secretaria de Protección Civil</i></p>	7 days	no charge
9	<p><b>Request and connect to water and sewage services</b></p>	30 days	no charge

	<i>Agency: Sistema de Aguas de la Ciudad de México</i>		
10	<p><b>Update the building record at the Tax Ministry</b></p> <p>The time and cost of updating the building record are established by the Financial Code of the Federal District, Article 217. The building is not actually registered with the Property Registry. Once built, a cadastral actualization document (manifestacion de actualizacion del valor cadastral) is filed for tax purposes with the Tax Ministry. The information in the new deed is updated only when the property (with the building included) is sold. In Mexico, the owner of the land is automatically the owner of the building unless otherwise specified. Only in cases where the owner of the building and the owner of the property are two different people would the building be registered.</p> <p><i>Agency: Tax Ministry</i></p>	1 day	no charge

This table only applies for Mexico City.

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## Quick Look Table: Getting Electricity

No	Procedure	Time to Complete	Cost to Complete
1	<p><b>Request feasibility study from CFE</b></p> <p>The client request a feasibility study to the Comisión Federal de Electricidad (CFE). The energy demand and a sketch of the localization of the warehouse are requested by the CFE.</p> <p><i>Agency: Comisión Federal de Electricidad (CFE)</i></p>	5 calendar days	MXN 0
2	<p><b>Hire electrical contractor to design connection and submit plans to CFE for approval</b></p> <p>Once the feasibility of the project has been confirmed by Comisión Federal de Electricidad (CFE), the clients electrical contractor obtains the design specifications from CFE, prepares the design of the electrical works needed to carry out the connection on the basis of these specifications and awaits approval of the plans from CFE.</p> <p><i>Agency: Comisión Federal de Electricidad (CFE)</i></p>	26 calendar days	Can vary depending on the hired contractor
3	<p><b>Receive technical inspection by CFE for design approval</b></p> <p>This external inspection is necessary to validate the design of the connection works.</p> <p><i>Agency: Comisión Federal de Electricidad (CFE)</i></p>	1 calendar day	MXN 0
4	<p><b>Obtain permit from municipality for external works</b></p> <p>The customer or the electrical contractor obtains the authorization from the municipality to carry out the connection works in public land.</p> <p><i>Agency: Municipality</i></p>	30 calendar days	MXN 2,445

5	<p><b>Await completion of external works by electrical contractor</b></p> <p>The installation of the transformer substation and the external connection works are the responsibility of the customer, who can choose to hire a private contractor to do the works.</p> <p><i>Agency: Comisión Federal de Electricidad (CFE)</i></p>	20 calendar days	MXN 441,500
6	<p><b>Obtain approval of internal wiring installation from specialized firm</b></p> <p>The monitoring of the internal wiring installations is done by a specialized firm (Unidad de Verificación de Instalaciones Eléctricas ) which is responsible for checking that the wiring was done according to Mexican standards.</p> <p>The applicant must go to a Unidad de Verificación de Instalaciones Eléctricas (UVIE), accredited with the Entidad Mexicana de Acreditamiento (EMA) and registered with the Ministry of Energy (Secretaría de Energía). The firm will verify that the electrical installation meets the safety standards established in NOM-001-SEDE 2012; the UVIE also oversees the external work that is performed by the client (construction of the electrical substation).</p> <p>A certificate issued at the end of the inspection is needed by the time the supply contract is signed. This procedure may be performed simultaneously with other procedures. The costs associated with this procedure are determined by the Unidad Verificadora and the applicant. If the wiring is done within the provisions of the Mexican Standards, usually one inspection is sufficient to issue the approval (Dictamen de Verificación), but if the applicant did not perform its electrical work within the rules, then the Unidad Verificadora must make several visits to ensure that the wiring corresponds to the standards.</p> <p>Link to <a href="http://www.sener.gob.mx/webSener/portal/index.jsp?id=120">http://www.sener.gob.mx/webSener/portal/index.jsp?id=120</a></p> <p><i>Agency: Accredited private company</i></p>	2 calendar days	MXN 25,000
7	<p><b>Sign supply contract, pay security deposit and await meter installation by CFE</b></p> <p>At the signing of the contract for providing electrical service connection the certificate of verification for the internal wiring installation must be submitted. The process of signing the supply contract is done after the security deposit has been paid for. Payment is made at the offices of the company. It is possible to settle the security deposit with a bank guarantee. The meter installation is done by the Área comercial which coordinates with the Departamento de Distribucion.</p> <p><i>Agency: Comisión Federal de Electricidad (CFE)</i></p>	4 calendar days	MXN 5,191.48

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## Cost of Energy, Gasoline and Electricity

### Electricity

It is important to note that the average prices change from month to month, the following table shows the average prices from April 2015 to March 2016, in cents of a peso.<sup>41</sup>

**National Electrical Sector**  
**AVERAGE PRICES FOR ELECTRICAL ENERGY**  
(MXN Cents per kWh current prices)

Mes	Domestic	Commercial	Services	Farming	Mid-size Firm	Big Industry	Average
April 2015	126.68	282.15	240.81	53.42	138.49	100.41	156.99
May 2015	117.55	274.56	248.38	52.81	137.31	102.00	155.43
June 2015	106.68	274.71	246.50	48.69	135.18	102.23	152.33
July 2015	107.19	271.91	255.65	53.47	133.41	99.80	153.57
August 2015	110.76	268.94	253.74	52.47	133.11	101.58	153.43
September 2015	111.87	271.89	256.28	55.53	142.27	110.22	158.01
October 2015	110.41	279.69	260.40	57.13	137.91	107.84	158.90
November 2015	121.79	280.23	258.93	60.30	138.05	101.94	160.21
December 2015	130.41	274.32	262.74	80.73	132.48	96.57	162.88
January 2016	132.18	267.00	261.47	39.20	130.31	97.46	154.60
February 2016	128.38	268.32	253.35	60.58	139.46	98.31	158.07
March 2016	123.13	275.93	265.62	59.10	134.49	95.15	158.90

### Gasoline Prices

“Magna” is lead-less gasoline commonly used by cars and it has at least 87 octanes per liter. “Premium” is a lead-less and low-sulfur gasoline commonly used by cars, it has at least 97 octanes per liter. Diesel is a gasoline commonly used by transport trucks.

From January 2015 to March 2016, the monthly prices, in pesos, are as follows:<sup>42</sup>

**Measurement unit: Pesos per liter**

**Periodicity: Monthly**

Period	Magna Gasoline, Octane Rating 87 (R+M)/2	Premium Gasoline, Octane Rating 92 (R+M)/2	Pemex Diesel
2015/01	13.57	14.38	14.20
2015/02	13.57	14.38	14.20
2015/03	13.57	14.38	14.20
2015/04	13.57	14.38	14.20
2015/05	13.57	14.38	14.20
2015/06	13.57	14.38	14.20
2015/07	13.57	14.38	14.20
2015/08	13.57	14.38	14.20
2015/09	13.57	14.38	14.20

<sup>41</sup> <http://egob2.energia.gob.mx/portal/electricidad.html> 'Estadísticas del Sector Eléctrico' > 'Precios Medios de Energía Eléctrica' > 'Periodicidad: Mensual' > 'Tipo de Información: Niveles'

<sup>42</sup> INEGI <http://www.inegi.org.mx/sistemas/bie/>

2015/10	13.57	14.38	14.20
2015/11	13.57	14.38	14.20
2015/12	13.57	14.38	14.20
2016/01	13.16	13.98	13.77
2016/02	13.16	13.95	13.77
2016/03	13.16	13.95	13.77

Gasoline prices right now seem stable, the government evaluates the prices of the gasoline each month and adjusts accordingly, this is because in México, the only producer and distributor of Gasoline is the state company PEMEX, however due to recent changes into the law, this might change and other companies started obtaining permits to import gasoline, however prices are still regulated by PEMEX.

## Investment incentives

### Federal Incentives

**Drawback program** <http://www.gob.mx/se/acciones-y-programas/siicex-transparencia-drawback> Import tax refund

The Import Tax Refund to Exporters program is the oldest Export Promotion Program. Since 1985, Mexican exporters enjoy the benefit of the general import tax refund, through the mechanism known internationally as drawback, which has led them to increase their competitiveness.

The programs brings to the beneficiary exporters the possibility to obtain a return for the general import tax paid for the goods having been incorporated to export commodities, or from the import of commodities being returned in their original state or having undergone repair or alteration processes.

**IMMEX** <http://www.gob.mx/se/acciones-y-programas/siicex-transparencia-immex> tax breaks for manufacturers

IMMEX allows for the temporary import of the necessary goods used in an industrial or services process required for the making, transforming or repairing of commodities of foreign origin temporarily imported for exportation, without paying VAT, or tariffs. This includes machinery, for as long as the production of goods to be exported remains.

A company may file for an IMMEX program through the local delegation of the Ministry of Economy, where the company has its address and it will carry out its operations and filing it through electronic means within the web portal of the corresponding Ministry.



**PROIAT** <http://www.gob.mx/se/acciones-y-programas/industria-y-comercio-programa-de-apoyo-para-la-mejora-tecnologica-de-la-industria-de-alta-tecnologia-proiat> manufacturing of capital goods and power generation equipment

The High Technology Industries Development Program has the aim of contribute to encourage the transfer and adoption of new technologies to improve the competitiveness of precursory and high technology sectors.

Incentives are provided in the following areas:

1. Technical assistance, training and other related services to reduce risk and sunk costs associated with training and consultancy specializing in the industrial application of innovative products and processes.
2. Technical assistance to increase efficiency in purchasing decisions machinery, supplies and highly specialized services.
- 3 Access and specialized information resources of the current situation in the markets, and technological trends, production and demand.

**PROSEC** <http://www.gob.mx/se/acciones-y-programas/siicex-transparencia-prosec> other import tax refund program

PROSEC is designed for manufacturers of specific products. A company that can take advantage of this program can import non-NAFTA originating goods and materials to be used in the production of specific products and pay 0-7% duty.

Small and Medium Enterprise incentives: <http://www.fondopyme.gob.mx/>

**PROSOFT** Incentives for Information Technologies and Communications companies: <http://www.prosoft.economia.gob.mx/>

The objective of this program is to foster the growth of the software industry and to enlarge the information technologies (ITs) market in Mexico.

Beneficiaries of this program are the software and TI sector companies and the academic sector, which are supported through financing and training programs.

In example, the beneficiaries can receive up to 20,000,000 pesos to buy technological equipment, 4,000,000 pesos to buy software, or other contributions for other things like the registration of copyrights and patents, legal counsel, etc.

**PROLOGYCA** <http://www.prologyca.economia.gob.mx/> Logistics incentives

The program intends to enhance the development of logistic services through the granting of temporary subsidies to projects which encourage the creation, the modernizing, the efficiency, the consolidation, the competitiveness and the

sustainability of Mexican corporations in the fields of logistics and supply; as well as to foster best practices in the logistics management of corporations.

These incentives are in the form of contributions to logistics-related projects, in example building or remodeling logistics installations, can be supported by the federal government up to 11 million pesos, as long as the amount does not represent over 40% of the total cost of the project.

## State Incentives

According to ProMéxico there are 22 kinds of investment incentives given by local governments<sup>43</sup> the most common of these incentives are lowering or exempting state taxes, especially on payroll taxes. Other non-tax incentives are the development of infrastructure for companies that will build their factories outside of industrial parks, donations of undeveloped land to the companies, appointment of advisors to the companies to ease any bureaucracy.

Examples:

Michoacán state can provide the infrastructure required by investing companies, the state can donate undeveloped land to companies, as long as the state owns it, it can pay up to 50% of the business plan required by the company, it can provide with training for the workers, it can help finance the purchase of installations in industrial parks, and others.

Baja California Norte can provide Payroll Tax exemptions from 25% up to 100%, for periods from 1 year up to 5 years. If the company reuses or treats the water it uses, the state can exempt up to 30% of the water bill, appointment of an investment promoter to serve as a liaison between the company and the federal, state and municipal governments, and other incentives.<sup>44</sup>

Mexico State can exempt all payroll taxes for up to 36 months, hiring people physically challenged does not increase the social security contributions, the company can deduct up to 20% of the salaries of personnel certified as disabled from their income tax, companies that hire physically challenged people or senior citizens (65 years or more) can deduct up to 25% of their salary from their Income Tax. Mexico State has a variety of incentives in the form of training programs for operative or management personnel.<sup>45</sup>

A list of local government incentives can be found here: [http://mim.promexico.gob.mx/wb/mim/gobiernos\\_estatales](http://mim.promexico.gob.mx/wb/mim/gobiernos_estatales)

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<sup>43</sup> <http://eleconomista.com.mx/finanzas-publicas/2014/03/17/incentivos-fiscales-arma-ganar-guerra-inversion>

<sup>44</sup> <http://www.investinbaja.gob.mx/en/business-environment/economic-incentives/state-incentives>

<sup>45</sup> <http://mim.promexico.gob.mx/doc/gobestatales/RazonesParaInvertirEDOMEXIng.pdf>

## **Tax breaks**

The maximum amount deductible on restaurant consumptions is 8.5%.

Car rentals can be deducted up to 200 daily pesos.

Car acquisitions can be deducted up to \$130,000 pesos, per unit.

Workers' wages, who are over the age of 65, can be deducted up to 25%.

Employer's contribution to employees' social security, pension, savings, severance payments, annual bonus, extra hours, vacations bonus, and Sunday bonus, among others, can be deducted up to 53%. If the employer reduces the amount of these payments from one year to the other, the deduction will be only of 47%.

Machinery and equipment to generate renewable energy, or systems for efficient electricity cogeneration can be deducted 100% in the first period.

Adaptations made to installations to accommodate physically challenged people can be deducted 100% on the first period.

Special Fixed Assets cannot be deducted immediately, effective January 1<sup>st</sup> 2014.

Donations to charity can only be deducted up to 7% of the fiscal profit of the company. If the donations are to local, or federal government, the deductions can't exceed 4% of the fiscal profit.

Expenses on exploration for the search and quantifying of mineral deposits can be done by 10% annually.

Income tax for "Sociedades Cooperativas de Producción" can be deferred a maximum of two years.<sup>46</sup>

## **Conclusions**

Mexico is a complex country which can offer opportunities to those who seek them. However, any business venture must be studied carefully before committing to it. We hope this guide is a starting point for such analysis, and remind the reader that any business decision should be consulted with a legal expert.

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<sup>46</sup> [http://www.pwc.com/es\\_MX/mx/Reforma-hacendaria-2014/archivo/2013-11-boletin-rf2014.pdf](http://www.pwc.com/es_MX/mx/Reforma-hacendaria-2014/archivo/2013-11-boletin-rf2014.pdf)