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The employment trends to look out for the Legal Industry at 2022 and beyond

STEP BY STEP HOW TO INVEST IN MEXICO: A REAL SOFT-LANDING.

Introduction

The total value of the goods and services produced by the Mexican economy in 2021 is equivalent to 1.04 trillion dollars, according to data from the World Bank, which places the country as the 16th economy in the world. Population-wise, Mexico is a robust country, suffice it to point out that in the year 2020 a total of 127,792,000 is observed, including 63,071,486 men and 65,861,267 women, the ages per million are distributed from the table published by datosmacro.com as of December 2019 as follows:

In this connection, Mexico is a highly attractive country for investment and the fulfillment of sales objectives for any company regardless of size. As a matter of fact, in economic times such as those we are experiencing today as an obvious consequence of the Covid-19 pandemic, it is essential to consider new markets where goods or services may be welcomed and maintained to pre-pandemic sales levels as much as possible.

Let's take the following example: If before the Covid-19, the company was selling 100 products per day, it is very likely that today there will be sales of 80 products per day in the best scenario, because despite having some economic reactivation, this has not happened in its entirety. In addition, for many markets the consumer has evolved in their consumption habits, that is the reason of the comments observed in all the media and platforms that "you have to reinvent yourself", so Mexico can be the answer to reemerge those goods decreased in our example.

In short, what to consider in strategic planning of the company that it is interested to join Mexico.

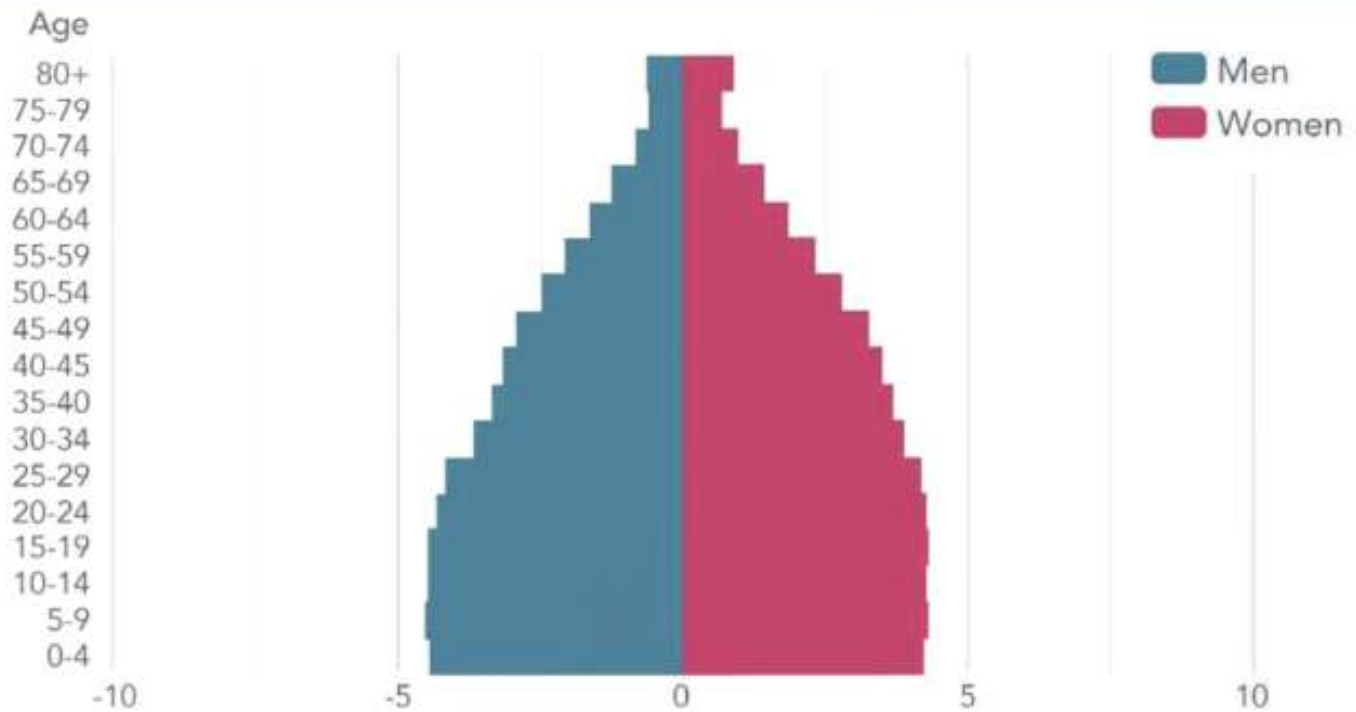


Legal entity

It is recommended to consider setting up a Mexican company to fulfil the obligations of domestic regulation, such as labor regulation, taxes and obligations with suppliers and customers, so the possible liabilities would be limited to the Mexican entity.

There are a several kinds of entities, but the most common commercial companies are Sociedad Anonima (SA, similar to an Inc) or Sociedad de Responsabilidad Limitada (S de RL, similar to an LLC). Once you have decided what type of entity is convenient for you to set up, then you need to formalize it before the authority. The procedure is very clear:

- a) Obtaining the company name (from the Ministry of Economy and Industrial Property Institute).
- b) Drafting of Bylaws based on the needs of the company. (Society rules).
- c) Protocolization before Notary.
- d) Recordal before the Public Registry.
- e) Recordal of the company before to foreign investment authority.
- f) Obtaining the Tax Identification.



On the other hand, it is important to mention that the documents required would be the following:

1. If the partners are individuals; then information and all details like the legal ID, tax card, proof of address (if it is electronic with the security chain) as well as partners general data (names, date and place of birth, profession, marital status, address and nationality).
2. If the partners are legal entities: the articles of incorporation, modifications to the statutes, if any, Tax ID and proof of address.
3. Document stating the powers of the legal representative.
4. Legal address in Mexico that the Mexican company will have.

At this stage, it is important to point out that to open and handle bank accounts, the company's legal representative must be a national or a legal resident in Mexico. Likewise, since the amendments of September 1, 2021, the entity must have employees.

Taxes

The first thing to consider is that, during the last 10 years, there have been various reforms in the tax laws that have made it difficult to comply optimally with taxes. That is why is highly recommended to have legal and accountable advisory to improve the chances of success of a company.

In advance, it is important to point out that the federal income tax is 30% for legal entities and up to 35% for individuals, depending on income. Only the border territories, which is 8% rate, the VAT rate is 16%. Furthermore, other taxes can be considered, such as Special Taxes for Products and Services (IEPS) when it comes to production and sale or import of alcohol, beer, gasoline and tobacco.

Unlike other countries, there is no state income tax, nor is there a local VAT in any federal entity. Once is clarified, it should be noted that the Statements and provisional payments must be made no later than the 17th of each month and not being up to date in fulfilling the obligations causes very important updates and surcharges, fines, including impossibility of having a positive opinion of compliance, which is a requirement to be a supplier to many private companies and, without a doubt, a requirement to bid or be a supplier to the public sector.

Although the content of this article is referring to main topics to keep in mind, there are additional topics that are still relevant, so it is highly recommendable that your advisor has a deep knowledge of the applicable regulation, authorizations, and licenses, import costs, among other considerations. In any case, if it is necessary, Gonzalez de Araujo Consultores has the experience representing clients in complex cases as well.