

2009 HOSPITALITY LAW CONFERENCE

# HOW TO DO BUSINESS IN MEXICO



A practical approach



# Presenters

- Alejandro Toulet
- Managing Partner, Toulet, Gottfried, Davila y Martinez.
- Anahuac University JD 1984
- Has represented foreigners doing business in Mexico for the last 25 years.



# Why Mexico?

- Costs
  - Low costs
- Easy Logistics
  - Close to the US
- Cultural
  - Similar Work Ethics
- Stable Political System
- Proven legal System



# COSTS

- Electricity:
  - \$90.00/Kva purchased
  - \$0.10/Kw hour of consumption
- Water:
  - \$2.57 per cubic meter
- Natural Gas:
  - \$4,964 connexion fee.
  - \$4.23 per Gcal



## LABOR COSTS

Middle of the Scale

rate of exchange: \$13.50 pesos to \$1.00

Base Salary	\$ 2.97 per hour
Social Security	\$ 0.83 per hour
Market Benefits	\$ 1.60 per hour
Cost per hour.	\$ 5.40 per hour



## COSTS cont. Bottom of the Scale

Base Minimum Salary	\$ 0.51 per hour
Social Security	\$ 0.14 per hour
Market Benefits	\$ 0.60 per hour
Cost per hour.	\$ 1.25 per hour



# Real Estate

Lease of Commercial space	\$13 - \$20 square foot per year
Lease of industrial space	\$4.25 - \$5.50 square foot per year
Hotel Construction	US\$40 – US\$120 per square foot
Cost of land	US\$2.00 – US\$4.00 per square foot



# LEGAL

- Company formation
- Labor
- Customs
- Immigration
- Environmental
- Real Estate
- Obvious Business Tips that almost nobody ever follows.





# CORPORATE

- Company Formation
  - - Sociedad Anonima (S.A.)
  - - Sociedad de Responsabilidad Limitada (S. de R.L.)



# CORPORATE

- Company Formation
  - Foreign Investment
  - Incorporation Procedure
  - Duration
  - Authorizations



# LABOR ASPECTS

- Federal Labor Law
- Social Security
- Statutory Benefits
- Work Shifts
- Firing Employees
- “Just Cause”
- Severance Pay
- Unions



# TAXES

- Value Added Tax
- Sole Rate Enterprise Tax (“IETU”)
- Payroll Taxes
- Income Tax
- Real Estate Transfer Tax
- INFONAVIT
- SAR
- Social Security
- Profit Sharing



# CUSTOMS

## Export Programs

- IMMEX
- PROSEC
- ALTEX



# CUSTOMS

- Mexico's Trade Treaties:
- Nafta
- Bolivia FTA
- Costa Rica FTA
- Colombia and Venezuela FTA



# CUSTOMS

- Mexico's Trade Treaties:
- Chile
- Guatemala, Honduras and El Salvador
- Nicaragua FTA
- Israel FTA
- European Union FTA



# IMMIGRATION

- FM-3 Visa
  - Foreigners are authorized to work in Mexico:
    - Multiple entry non-permanent resident visa.
    - Valid for renewable 1 year term.
    - There are restricted nationalities.





# IMMIGRATION

- FMN Visa
  - Foreigners are authorized to work in Mexico:
    - Multiple entry non-permanent resident visa.
    - Valid for 30 days.
    - Limited to US and Canadian nationals.



# ENVIRONMENTAL

- Federal, State and Local legislation.
- Environmental Permits
- Environmental Impact Studies
- Air Emissions
- Handling and Disposing of Hazardous Materials and Waste.



# REAL ESTATE

- PURCHASE OF REALTY
- Prohibited Zone
- Trusts
- Notaries vs. Title Insurance
- Zoning
- Permitting
- Construction
- Financing



# REAL ESTATE

- LEASE OF REALTY
- Civil Code
- Check Duration
- Triple Net
- Corporate Guaranty



## OBVIOUS BUSINESS TIPS THAT ALMOST NOBODY EVER FOLLOWS (that can make you successful!).

- But in the US .....
- “But those are only Mexican rules”
- Oh yeah, Mexicans love to do business with people they do not know!
- Shortcuts and the 3 golden steps to success!
- Investing is secure!
- I know precisely the employee that I will transfer to Mexico!!!
- But its the 4th of July!!
- No hay problema Sr. Smith (Lost in translation?)
- Formalities unimportant? (the unintentionally ugly American)
- Are you clear on the tax issues Mr. Smith?
- So you ran the projections?