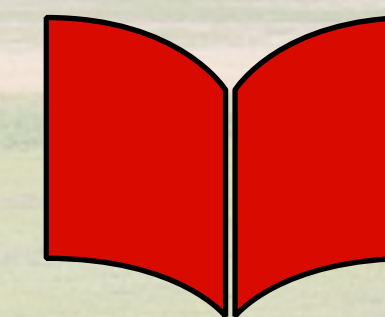




PRIME ADVISORY
NETWORK

COUNTRY REPORT MEXICO



**YOUR WEEKLY REPORT
ON BUSINESS OPPORTUNITIES
ACROSS THE GLOBE
Issue: 32 15/09/2017**

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Prime Advisory Network Ltd of London



Prime Advisory Network is an international and highly professional network, made up of expert accountants, auditors and lawyers qualified to provide a complete consultancy service to companies and groups operating in several fields.

Thanks to a completely innovative communication technology for the management of the client, Prime Advisory Network represents the first “digital” global network of the accountant offices in the world.

Professionals can cooperate worldwide with each other in an integrated way, by managing their clients all over the world and expanding their services and of course growing the number of their customers.

MEXICO IN A NUTSHELL

Geography

Is the southern portion of North America. It is bordered to the north by the United States; to the south and west by the Pacific Ocean; to the southeast by Guatemala, Belize, and the Caribbean Sea; and to the east by the Gulf of Mexico.

Economy

The economy of Mexico is the 13th largest in the world in nominal terms and the 11th largest by purchasing power parity, according to the International Monetary Fund.

INDUSTRY

The industrial sector as a whole has benefited from trade liberalization; in 2000 it accounted for almost 50% of all export earnings. (Wikipedia)

GENERAL INFORMATION

MEXICO is a federal republic in the south of North America. It is bordered by the United States on the north; to the south and west by the Pacific Ocean; and with Guatemala, Belize and the Caribbean Sea on the southeast and to the east by the Gulf of Mexico.

Mexico covers almost two million square kilometers and is the sixth largest country in the America by total area and the 13th largest independent nation in the world.

Mexico has a population of over 120 million and is the eleventh most populous country and the most populous Spanish-speaking country in the world while being the second most populous country in Latin America. Mexico is a federation comprising 31 states and a special federal entity that is also its capital and most populous city. Other metropolises include Guadalajara, León, Monterrey, Puebla, Toluca, and Tijuana.

Mexico has the 15th largest nominal GDP and the 11th largest by purchasing power parity.

The electronics industry of Mexico has grown enormously, specially the last decade and has the sixth largest electronics industry in the world.

ECONOMIC OVERVIEW

Good fiscal and monetary policies have increased Mexico's macroeconomic performance.

The pace of change has accelerated in recent years as previously unthinkable structural reforms have been adopted in parts of the sectors of economy such as energy and telecommunications. The regulation of commercial operations has become more streamlined, and business formation is relatively easy.

There are achieved even more dynamic economic expansions, including the lack of competition in the domestic market, labor market rigidity, institutional shortcomings within the judicial system, and limited progress in curbing high levels of crime, etc.

There is no minimum capital requirement for the incorporation of a business.

But it's always present the fact that are necessary the requirements of the licenses. The labor law continues to give incentives for small companies to operate outside the formal sector, making the hiring and dismissing of employees costly.

Mexico maintained no formal price controls, although the government does set price recommendations for pharmaceuticals.

Mexico is quickly becoming an emerging market heavy-weight. This was much less than its primary trading partner, the United States (\$17.9 trillion) but larger than its other NAFTA partner, Canada (\$1.6 trillion). Mexico's geographic size is equivalent to Saudi Arabia. But it supports five times as many people while exporting one-fourth of the oil.

Mexico's 2015 GDP growth rate was 2.3 percent. That's better than the 2.1 percent rate in 2014 and the 1.4 percent rate in 2013. Its standard of living, as measured by GDP per capita, was \$18,500, less than half that of its other NAFTA partners. So it's a continual growing economy.

EXPORT AND IMPORT

Mexico is the 12th largest exporter in the world after the American FREE trade agreement in 1994. For example, in 2015, 80 % of its exports went to the United States.

Mexico's largest trade partners are the United States (48 percent), China (16.6 percent), and Japan (4.4 percent). Other trade partners are Guatemala, Honduras, El Salvador, and the European Union. These trade agreements are a big reason for Mexico's success.

Mexico manufactures and exports the same amount of goods as the rest of Latin America.

Mexico's export markets are mainly by manufactured products. It also exports silver, fruits, vegetables, coffee, and cotton. Mexico is also the world's eighth largest producer of oil, at nearly three million barrels per day.

Mexico also imports:

- machinery for metalworking and agriculture.
- electrical equipment,
- automobile and aircraft parts,
- steel mill products.

FOREIGN DIRECT INVESTMENT

Mexico is one of the emerging countries most open to foreign direct investment.

Foreign investments are mostly concentrated in towns neighboring the U.S border and also in the capital. Investment mostly comes from the United States and Spain.

The most common forms of creating a business company are the Limited Liability Stock Corporation (Sociedad Anonima, S. A.) and the Limited Liability Company (Sociedad de Responsabilidad Limitada S.R.L.).

There are made recent changes to the Mexican Foreign Investment Law, meaning that the process is very transparent, and as a result, many foreign entrepreneurs have identified business opportunities and setting up innovative start-ups across the country.

Approximately 95% of all foreign investment transactions do not require government approval. Foreign investments that require applications and don't exceed \$165 million, are automatically approved. Unless, the Investment that is proposed is in a restricted sector, subject to the Mexican constitution and the Foreign Investment Law that reserve certain sectors for the state and Mexican nationals.

The National Foreign Investment Commission under the Secretary of Economy determines whether investments in restricted sectors may be approved, and has 45 working days limit to decide that.

Criteria for approval include employment and training considerations, technological contributions, and contributions to productivity and competitiveness.

INVEST IN MEXICO

Strong Points

Mexico's strong points include:

- labor costs are comparable to Asia-based manufacturing, extensive trade agreements and a strategic location between North and South America.
- The Government is very positively oriented to foreign investment (economic reform efforts, new investment opportunities, etc.).
- Has a young and skilled labor force.
- Extensive natural resources, allowing for the development of all types of industry at competitive rates.
- The country is the eighth most popular tourist destination for global travelers and home to more than 30 UNESCO World Heritage Sites.

Weak Points

Mexico's weak points include:

- Despite growth in the banking sector, interest rates still remain comparatively high for many SMEs.
- Mexico's economic stability is highly tied to the well-being of the U.S. economy.
- Socioeconomic stratification will present a challenge to the long term growth potential of the country

TAXATION IN MEXICO

Since 2005, Mexican states are permitted to assess an income tax on individuals for certain income items such as professional fees, rental income, real estate sales, etc.

Even if you are a non-resident supplying goods and services in Mexico, you must be registered for VAT. If the business doesn't have a permanent establishment in Mexico, it must appoint a fiscal representative to complete the VAT registration in the country according to the tax system.

Also the foreign enterprises that are established in Mexico are subject to the same tax system as national enterprises, though they do have different benefits from the law on foreign investments and also some certain exemptions.

Deductible costs are only the costs of goods sold, labor costs and overhead expenses. Non-deductible items include penalties, unauthorized donations, contingencies, indemnities, exempt salaries, etc. Also the exports, medicine, and unprocessed foodstuffs are subject to a 0% rate.

TAX RATES

from MXN 1 to 5,952.84	1.92%
from MXN 5,952.84 to 50,524.92	6.4 %
from MXN 50,524.92 to 88,793.04	10.88%
from MXN 88,793.04 to 103,218.00	16%
from MXN 103,218.00 to 123,580.20	17.92%
from MXN 123,580.20 to 249,243.48	21.36%
from MXN 249,243.48 to 392,841.96	23.52%
from MXN 392,841.96 to 750,000.00	30%
from MXN 750,000.00 to 1,000,000.00	32%
from MXN 1,000,000.00 to 3,000,000.00	34%

The right partners for you in Mexico

Meet our members!

BCT Consultores **Chartered Accounting Firm in Ciudad de Mexico**

The office BCT Consultores arises from a common idea managed by a group of Law and Economy professionals, whose concern is to be able to provide a service of the highest quality to the client, without the need for large structures, and therefore with a significant reduction of the cost associated with the work performed.

The personalized assignment of the tasks entrusted greatly, facilitates the client's relationship with his case, perceiving that the care received is exclusive and of the highest quality.

Both companies and individuals nowadays perceive the need to be supported by authentic professionals in different areas of their lives, whether in decision-making or in the defense of their interests.

That is why after several years working side by side, the members of BCT Consultores made the decision to combine their efforts, their experience and their way of thinking in creating this project illusion that is both a challenge every day that passes .

Help us create a bigger community!

By joining Prime Advisory Network, you open to the world your own studio. It means choosing to operate globally. Without distinction of flag, religion or culture.

Together with accountants and lawyers from around the world can help create a more united world.

If you have colleagues interested to expand internationally, send us their contact details and we will explain them how Prime Advisory Network can be a powerful tool for their growth.

CONNECTED



Our Growth

Our network is growing rapidly. Coverage shown is from August 2017.



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