



Mexico

Going Global with Baker Tilly



Now, for tomorrow

Once the conditions of having a Permanent Establishment in a particular territory have been met, the following key points should usually be considered:

Key Requirements	Response
<p>Main types of entity</p>	<p>The main types of entities are:</p> <ul style="list-style-type: none"> • Sociedad Anónima de Capital Variable (S.A. de C.V.), which is considered a Corporation. • Sociedad de Responsabilidad Limitada (S. de R.L.), which is treated as a Limited Liability Corporation. • Sociedad Anónima Promotora de Inversión (S.A.P.I), this is a type of corporation that is usually used before going public, has flexibility in voting rights and types of shares, as the S.A. de C.V. • Sociedad Civil (S.C), this is the Mexican equivalent of a Partnership. • Asociación en Participación (A. P.) or Joint-Venture, these are agreements between two parties that are treated as companies, exclusively under a Mexican Tax Perspective. • Mexican Branch Office, branches in Mexico are the extension of a foreign entity (permanent establishment) and must file for permits and are treated as companies, exclusively under a Mexican tax perspective as well.
<p>Any material advantages regarding having a branch or a company?</p> <p>(Excluding the liability of a company typically not extending to its parent company and losses of a branch potentially being available to an overseas parent)</p>	<p>In general terms branches reduce the legal and administrative burden under a foreign investor perspective, and are not subject to the provision of the Mexican General Law of Mercantile Companies.</p> <p>However, branches are treated the same as companies, exclusively for local tax purposes and take more or less the same time for start their operations.</p> <p>Companies advantages are:</p> <ul style="list-style-type: none"> • Protection of legal liability in Mexico. • Possibility to deduct intercompany interests, and royalties.
<p>Can company and branch registrations be completed by Baker Tilly or must a third party, such as a law firm, be involved?</p>	<p>Company and Branch: Baker Tilly can complete the registrations in both cases.</p>
<p>Once the company or branch has been set up, what other main registrations are typically required?</p>	<p>The main registrations required are:</p> <ul style="list-style-type: none"> • National Registry of Foreign Investment. • Importer License, if the case. • Notice Foreign Trade. • Intellectual Property. • Social Security. • Employer's Registry before the Immigration Authorities, if the case. • Local notices (for instance, local payroll tax, opening an establishment). <p>These registrations vary upon company's activities.</p>

Key Requirements	Response
<p>What information must typically be provided to set up a company or branch?</p>	<p>Company:</p> <p>It is necessary the following information:</p> <ul style="list-style-type: none"> • Name of the Mexican Company, • Type of Mexican entity, • Full Name of the Partners, • Fixed Social Capital, • Social Object, • Full name of the Board of Directors/ Managers or Sole Director or Manager, • Full name of the Legal Representatives, • Full name of the Vigilance Officer, • Address or location, • * Bylaws of the Companies that will be the Partners of the Mexican Company, • * Power of Attorney. <p>Branch:</p> <ul style="list-style-type: none"> * Bylaws of the Foreign Company, * Power of Attorney for local legal representative. <p>*These are necessary to be translated into Spanish, by an official translator, and apostilled or legalized in the origin country.</p>
<p>Does a local company / branch require a local shareholder, local nominee director or local representative? If so, indicative typical costs.</p>	<p>Company: It requires two shareholders (these could be local or foreign). One of the shareholders can own most of the voting rights of the company, leaving the second one with just a symbolic amount of ownership.</p> <p>Branch: It requires a local representative.</p>
<p>Any other local requirements for a company or branch, such as a business licence?</p>	<p>A company starts its business transactions once it got its legal and tax incorporation.</p> <p>It depends on the main activity of the company, some additional licences could be needed (i.e. local permits or authorizations).</p>
<p>Typical cost of registering a company including professional fees and authorities charges?</p>	<p>\$7,000 USD (breakdown: Legal incorporation \$4,000 USD and Tax incorporation \$2,000 USD and \$1,000 USD for Public Notary expenses).</p>
<p>Typical cost of registering a branch including professional fees and authorities charges?</p>	<p>Tax incorporation \$2,000 USD. Legal register: \$2,500 USD</p>
<p>Typical timeframe for registering a company once all the information has been provided</p>	<p>Four to six weeks (depending on Authorities' workload).</p>

Key Requirements	Response
Typical timeframe for registering a branch once all the information has been provided	Two to three weeks.
Audit requirements / threshold	Local Tax statutory audit report (dictamen fiscal) is optional.
Accounting regime / GAAP	Company: Mexican FRS, US GAAP or IFRS but is mandatory to keep records in Mexican Peso regardless the functional currency. Branch: Same as Company
Requirements around filing financial statements	To elaborate financial statement according to Mexican Statutory at least once per year. Also, companies must file "annual tax return" it includes financial statements.

Key contact for establishing a company / branch



Manuel Aguilar

T: +52 (55) 5661 8124 Ext. 1200
maguilar@bakertilly.mx





for general tax enquires please contact

Androulla Soteri

Tax Director at Baker Tilly

androulla.soteri@bakertilly.global

Global Office

6th Floor
2 London Wall Place
London, EC2Y 5AU, United Kingdom
info@bakertilly.global

[bakertilly.global](https://www.bakertilly.global)

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