

Legal Entity Frameworks to Start Manufacturing Operations in Mexico

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We are going to see some of the differences between operating in Mexico with your own legal entity versus working under a Shelter Program's legal entity:



Under a Shelter Program you can operate under two frameworks:

Not Incorporated:

A cost center approach operating under a Shelter's Mexican Legal Entity. It simplifies the compliance with Mexican regulations, which translates into important cost savings. Allows you to access the federal government incentive of not paying income tax for the first four years of operation.

Incorporated:

The Shelter provider helps you incorporate your own Mexican Legal, under which operations will be performed.

- This framework is a must if your Mexican operation is required to invoice in Mexico.
- This requires a more robust organization and income tax obligations.

Mexico is a country with different laws, language, culture, and working environment.
Depending on the scenario that you select, here is how you will face administrative risks and liabilities:

	Your Own Legal Entity (Without a Shelter)	Under a Shelter's Legal Entity
Registry before Authorities	<ul style="list-style-type: none"> You will be responsible of filling all paperwork with the different government authorities to get your operation compliant: Economy Secretariat, IMSS, INFONAVIT, SAT, SIEM and other local state and federal authorities One mistake can stop your operations from starting or running 	<ul style="list-style-type: none"> The Shelter company takes care of the whole administrative start up process in 9 weeks and then it always maintains full compliance The Shelter company takes all risks and liabilities in case an administrative function is not compliant and subject to fines
Legal	<ul style="list-style-type: none"> Foreign investment registry Powers of attorney External audit 	<ul style="list-style-type: none"> Everything is done for you



You can sell your products and services in Mexico in both scenarios.
However, invoicing will be different:

Your Own Legal Entity (Without a Shelter)	Under a Shelter's Legal Entity
<ul style="list-style-type: none"> You will be able to invoice from your Mexican legal entity with tax and duties implications 	<ul style="list-style-type: none"> You will invoice from your parent company and deliver in Mexico through virtual pedimentos



Under both scenarios, you will be the owner of your machinery, equipment, raw materials and finished goods.

The consignment of those goods is the only difference.

Your Own Legal Entity (Without a Shelter)

- All goods are consigned to your own Mexican company; the one with the IMMEX program. This is guaranteed through a bailment agreement

Under a Shelter's Legal Entity

- All goods are consigned to the Shelter company and they are guaranteed through a bailment agreement

There is a huge difference from one scenario to another, especially with income tax and value added tax on cash flow:

	Your Own Legal Entity (Without a Shelter)	Under a Shelter's Legal Entity
<i>Income Tax</i>	<ul style="list-style-type: none"> • 30% of taxable income: -Operation: APA/P&L, safe harbor -Accounting basis 	<ul style="list-style-type: none"> • Income tax exempt for a maximum period of 4 years, from the fifth year income tax must be paid (30%) and from the ninth year the resident abroad must create its corresponding Mexican legal entity in Mexico
<i>Value Added Tax</i>	<ul style="list-style-type: none"> • 16% • Reimbursable in 90-120 days after filling • Cash flow basis 	<ul style="list-style-type: none"> • Not applicable (only the Shelter provider American Industries offers this because of its AAA certification)
<i>Profit Sharing with Employees</i>	<ul style="list-style-type: none"> • 10% of taxable income (after second year) 	<ul style="list-style-type: none"> • Not applicable (annual compensation bonus according to local market)

Under both scenarios, these are the incentives you might be able to get, depending on your business size, CAPEX and impact in job generation in the community.

Incentives Examples

(these varies depending on the Mexican State you will establish)

- Up to 50% discount in payroll tax
- Technical training scholarships for new job positions for up to 60 days
- Fiscal credit of up to 30% of income tax applied with certain technological research and development projects
- Property tax exemption
- Quality certifications incentives: up to 70% of the certification cost
- Technology transfer incentives: up to 50% of the operating expenses of the project



- When processing your financial statements, if you go on your own you will require to do it as any Mexican company does.
- When you do it under a Shelter's legal entity, you get all your financial statements and impacts in your own chart of accounts.

Your Own Legal Entity (Without a Shelter)	Under a Shelter's Legal Entity
<ul style="list-style-type: none"> • Financial statement (P&L, BS) <ul style="list-style-type: none"> -Taxes: ISR (income), IVA (value added), PTU (profit-sharing) -Fixed asset control -Banks reconciliation • Additional personnel 	<ul style="list-style-type: none"> • Expense reports • Account payable (using client's chart accounts)
<ul style="list-style-type: none"> • You will need to pay for software licenses for: accounting, purchasing, payroll, customs 	<ul style="list-style-type: none"> • All software licenses are included (only the Shelter provider American Industries offers this)



When importing raw materials or exporting finished goods, working under a Shelter's legal entity can make a huge impact on your bottom line:

Your Own Legal Entity (Without a Shelter)	Under Shelter's Legal Entity
<p>Customs certification requirements:</p> <ul style="list-style-type: none"> • 200 million MXP importations in the last 6 months • at least 100 employees and 250,000 USD of imported fixed assets • or 10 million USD of imported fixed assets 	<ul style="list-style-type: none"> • All formalities, regarding customs certification, are done for you
<ul style="list-style-type: none"> • 10% import border inspection rate (if not customs certified) 	<ul style="list-style-type: none"> • 2% import border inspection probabilities
<ul style="list-style-type: none"> • Regular line imports (if not customs certified) 	<ul style="list-style-type: none"> • Express line imports (only the Shelter provider American Industries offers this)
<ul style="list-style-type: none"> • You cannot perform virtual exports in Mexico 	<ul style="list-style-type: none"> • You can perform virtual exports in Mexico



eBooks

American Industries

The background features a man in a dark suit and tie, seen from behind, looking out over a city skyline at night. The city lights are visible in the distance, and the overall scene is overlaid with a semi-transparent, light blue and white graphic that resembles a large, stylized letter 'A' or a similar shape. The lighting is soft and atmospheric, with a mix of blue and white tones.

Mexico's Industrial Shelter Program

*Designed to make it easy for
your company to
start operations in Mexico*

- ✓ B2B meetings and business agenda coordination with the local clusters to help you promote your products and services
- ✓ Real Estate space: Starting from 5,000 Sq. Ft.
- ✓ Freedom to start doing business in Mexico without a legal entity
- ✓ Legal and operational permits: Fast start in 9 weeks
- ✓ Human resources: We will help you find and recruit your sales, distribution and operations staff (starting from 5 employees)
- ✓ Government incentives negotiation on technical training and other applicable
- ✓ Customs: We will help you get the maximum tariffs savings from the free-trade agreements with over 40 countries for your imports and exports
- ✓ Fiscal and accounting management
- ✓ No income tax for the first 4 years
- ✓ No VAT effect on cash flow
- ✓ No startup or exit fees
- ✓ No risks, nor legal or administrative liabilities

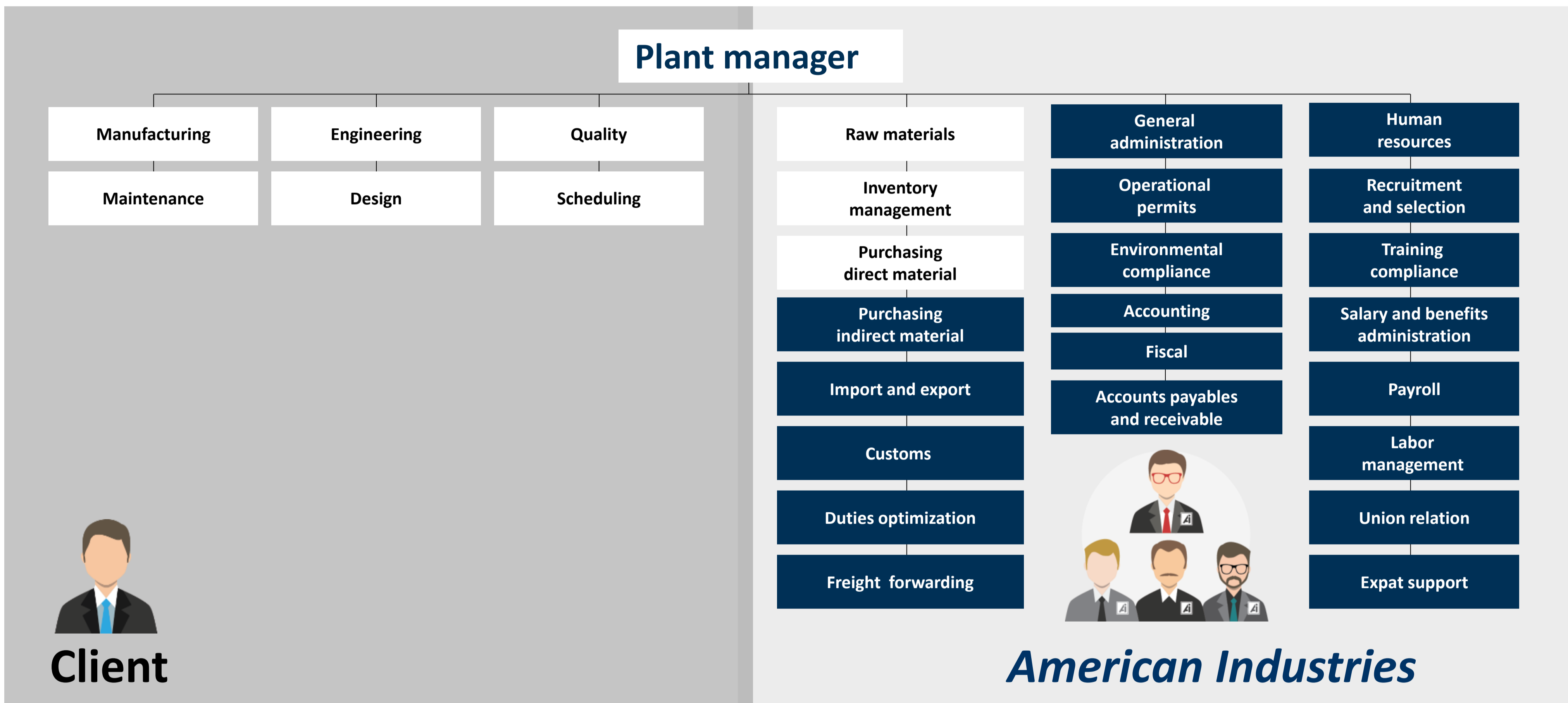
Amongst other benefits, the Shelter Program gives you the alternative to improve the total cost for your customers due to our free-trade agreements.

These are some of the legalities you will not have to worry about with the Shelter Program:

- Duties and taxes on raw materials, machinery, and equipment
- Clearance (northbound, southbound, and in-bond)
- Other Government Agencies (FCC, FDA, USDA, HAZMAT)
- Freight forwarding
(Consolidating and warehousing)
- Mexican and US Customs Broker
- Customs software (required by law)
- Regulation compliance (permits)
- Adequate filling of legal documentation
- Labeling control system for equipment
- Proper reconciliation to save on duties
- Assistance to get certified by C-TPAT



The Shelter Program will help you by-pass all of these legalities so you can import and export your materials from your Mexican manufacturing plant.



In the white boxes of this diagram you can find the description of functions that you will be in charge in your new operation in Mexico, to meet your customers' needs.

The blue boxes contain all the duties that a full Shelter Program cover.

One of the many advantages of this program, is that you will start operations in Mexico being entirely focused on sales, customer service, and production. You will not have to worry, nor face, any legal or administrative risks/liabilities on your start-up stage.



- ✓ You will get a tailored evaluation and roadmap to start operations in the regions that there might be potential for your business to grow in Mexico (like Chihuahua or Queretaro).
- ✓ You will get a tailored cost model where you will be able to compare the total cost of production per hour in each region.

- ✓ At this point we will coordinate business agendas in the selected regions for your operations in Mexico with industrial associations and clusters.
- ✓ As part of the agenda, you will be able to visit the Shelter's real estate facilities where you will be able to operate.
- ✓ Additionally, you will get a presentation of the different enabling services that you will get as part of the Incubator and you will be able to meet with government officials.

- ✓ At this stage you will get all permits for your operations.
- ✓ You will get your human resources hired and organized (including payroll management).
- ✓ You will get your machinery and equipment installed.
- ✓ You will get all your customs & logistics set up.
- ✓ You will get all paperwork and administrative tasks done so that you can start serving your clients from your new location.

You have already seen different types of costs that will have an impact on your distribution or manufacturing total operation cost. However, putting all the pieces together require more than just adding up numbers.

There might be a lot of hidden costs based on “small picture” assumptions, such as going to a certain location with the wrong type of skillset, suppliers, or infrastructure to support your operations.

We suggest you get a **Complimentary Cost Model Simulation** where you can compare the total cost of doing business in key industrial regions in Mexico.

The cost model simulation tailored to your project in Mexico will include direct costs of:

- Direct and indirect labor
- Real estate and utilities
- Customs and Logistics
- Administrative, legal, and other indirect costs

Request yours at start@americanindustriessgroup.com



About American Industries Group

American Industries Group is a private Mexican company founded in 1976 that has supported the successful establishment of manufacturing operations for over 200 companies in Mexico through Shelter Administrative Services and Industrial Real Estate.

Value Proposition
“Why a Shelter?”



We team up with the arriving company becoming their day-to-day administrative solution provider -human resources, accounting, fiscal, customs, logistics- so that our client can focus on key variables such as quality, productivity and on-time delivery.

We are present at all stages of your industrial business needs in Mexico:

Site Selection



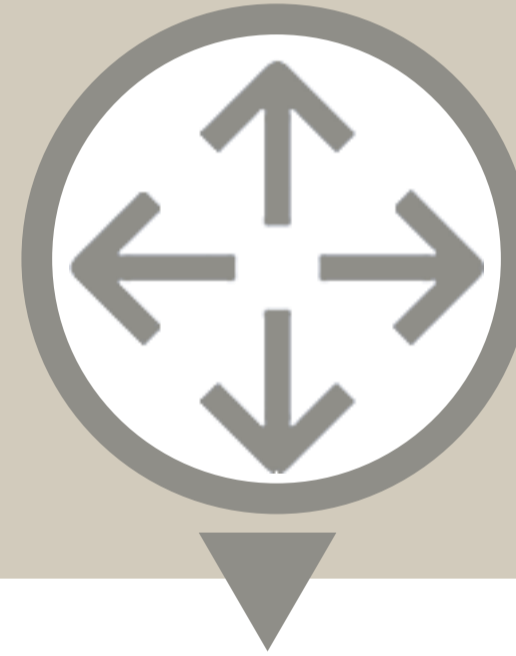
We help you find the right location for your operations in Mexico including the coordination of business agendas in different regions.

Start under a Shelter Program



We take care of all start up, legal, operational and environmental permits, human resources, customs, logistics, fiscal, accounting and all the administrative part of the business.

Expansion in other regions in Mexico



We help you grow your business by working together with industrial clusters and associations to promote your business in different regions in Mexico.

Supply chain divisions relocation



We help you to educate and relocate your foreign suppliers or other divisions near your operations in Mexico.

Aerospace



Automotive



Others





- United States**
 - El Paso
 - Laredo
- Canada**
 - Toronto
- Chihuahua**
 - Juarez
 - Chihuahua
 - Delicias
 - Camargo
- Nuevo Leon**
 - Monterrey
- Tamaulipas**
 - Matamoros
 - Reynosa
- Jalisco**
 - Guadalajara
- Queretaro**
 - Queretaro
- San Luis Potosi**
 - San Luis Potosi
- Guanajuato**
 - Silao
- Mexico City**
 - Mexico City
- Coahuila**
 - Saltillo
 - Torreon
- Durango**
 - Gomez Palacio

Regional Offices, Shelter and/or Real Estate Customers

Shelter and/or Real Estate Customers

Shelter and start-up services

- Over 14,000 headcount
- Over 30,000 trouble-free import and export transactions per year

Real Estate

- Over 13 million sq. ft. of developed and leased industrial space
- All our buildings are classified into Class A category
- 13 industrial parks

You can count on American Industries expertise to start and maintain a successful operation by avoiding unnecessary problems and costly mistakes, while maximizing savings as much as possible.



American Industries

Site Selection - Shelter Administrative Services - Industrial Real Estate

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