

Legal Entities to operate in Mexico.

a) Direct Ownership:

Foreign companies can establish 100% owned subsidiaries in Mexico, by incorporating a Mexican legal entity (Corporation).

- Incorporation process can take between **2 weeks to 2 months**.
- **Two shareholders or partners** are required.
- A **Corporate name** must be established.
- Incorporation can be done with a **Notary Public or Business Broker**.
- **Representation** in Mexico.
- An **address** will be required at the time of incorporation for different registrations.
- Entities most commonly used:
 - **Stock Corporation (S.A.)**
 - **Limited Liability Company (S. de R.L. de C.V.)**

Other legal issues to consider: Taxes, Real State, Customs, Labor Issues, Immigration and Environmental.

A quick note on TAXES: There are several fiscal obligations to consider including Importation Duties, Profit Sharing and Income, but most importantly for your manufacturing operations are Payroll Taxes. Here is a summary of the most important Payroll taxes:

- **Social Security and Nursery.**
 - ✓ Social Security for light industry amounts to approximately 13% of the wages and if minimum wages are paid, 17%.
 - ✓ Nursery tax amounts to 1% on integrated payroll.
- **Pension Fund.**
 - ✓ Rate is 6.275% on integrated payroll.
- **Housing Tax.**
 - ✓ Rate is 5% on integrated payroll.

- **State Payroll.**

- ✓ Rate is 2.07% on payroll. New companies or investment projects can qualify for total or partial exemption for up to five years.

For more information and a comprehensive consultancy, contact the Tijuana EDC for a “How to do business” seminar at no cost.

b) Shelter (outsourcing administration)

A Shelter Program is an integrated service that allows manufacturers to focus their time and resources on running manufacturing, while the shelter company:

- Provides all manpower needed , professional and labor,
- Performs all necessary Mexican legal and administrative requirements,
- Manages day to day customs and transportation logistics
- May lease the building space required at client’s option , and
- Generally assists in the successful operation of a plant in Mexico.

Services provided by a Shelter Company:



Responsibilities of Manufacturer:



Manufacturer is responsible for providing all operational requirements.

Operating Options:

- **Manufacturer will operate under the legal entity of the shelter company.**

Under this option, manufacturer will have control over production operations only and the shelter will manage all administrative and legal functions with no liability to the client.

- **Manufacturer will have its own legally established company.**

Under this option, the shelter will assist with the administrative and legal functions.

Advantages:

- **Quickest way to start your business**
- **Reduces the learning curve required to start a new operation**
- **Lower employee turnover rate**
- **Lower cost and quality products manufactured in Mexico delivered to your customers**
- **Allows company to immediately focus on manufacturing**
- **Greater savings much sooner**
- **Reduces the risk of your investment**

c) **Subcontracting (with no legal presence in Mexico)**

Tijuana has an emerging Contract Manufacturing sector. Companies provide turn-key manufacturing services delivering finished products.

See our directory of specialized **Shelters and Contract Manufacturers for more information.**

d) **Joint Venture**

Manufacturers in Tijuana have developed capabilities and infrastructure for over 4 decades. These capabilities can be applied across many industries, and they are open for new Joint Venture opportunities, partnering with other businesses.

If you are interested in this business model “**contact us**” **contact@tijuana-mex.com** and we will help you search for the appropriate partners.