



Business Opportunities Bulletin

Mexico - an open door to foreign investment

The Mexican government have launched a range of investment friendly Special Economic Zones (SEZ). With an open environment to foreign participation, a range of tax and other incentives are available in aerospace, food processing, renewable energy, pharmaceuticals and electronics.

Geographically limited areas in places with natural and logistical advantages that lend themselves to become highly productive regions. The SEZs offer exceptional business environments designed to attract investment and generate quality jobs.

The SEZs include;

- 100% Discount on Income Tax during the first 10 years of operation and 50% in the next five years.
- Tax credits of 50% for employers' contributions to health funds, which are paid to the Mexican Social Security Institute during the first 10 years of work and, after this period, a proportion of 25% in the next five years.
- Special treatment of VAT and special customs regime with deductions in duties.
- Exemption from taxes on foreign trade for the introduction of goods into SEZ.
- Key benefits in terms of payroll tax, property tax, sale of property and lodging.

The SEZs currently established are in the center and south of the country such as: Michoacán, Guerrero, Veracruz and Chiapas. The sectors that are likely to benefit the most from access to SEZs include aerospace, food and food processing, renewable energy, pharmaceutical and electronics.

Mexican Aerospace - 300 aerospace companies currently exist. There are particular opportunities in engine manufacturer, design, components and manufacturing processes.

Food - The main food products exported from Mexico are cane

sugar, bakery products, pastry and biscuit, confectionery and chocolate. Mexico offers nearly 10% savings in the cost of manufacturing processed foods compared to the costs of other countries.

Renewable energy - México has abundant resources for the generation of electricity with renewable sources. In the period from 2010 to 2016, Mexico received approximately 45 foreign direct investment projects in the renewable energy industry. Mexico ranks as one of the 3 most attractive countries in the world to invest in photovoltaic solar energy projects.

Electronics - Mexico is among the top 3 electronics suppliers for the United States. The largest transnational electronics manufacturing companies operate in Mexico, ranking as one of the largest exporters of flat screens, computers, microphones, headphones and speakers worldwide and this represents more than 20% of the country's non-oil exports.

Pharmaceutical sector - Mexico has become an attractive destination to invest in the Pharmaceutical Industry due to the improvement of the regulatory framework and the increase in quality certifications. Currently 80% of the world's leading pharmaceutical companies operate in Mexico, as the country is one of the largest markets in Latin America and is a major producer of high-tech medicines.

Foreign investment is permitted in all sectors except those specifically reserved for the Mexican government or Mexican nationals or companies. In other cases, foreign investors may hold up to 100% of the capital stock of a Mexican corporation or a 100% partnership share. The Foreign Investment Law (Ley de Inversion Extranjera or LIE) sets out exceptions and the registration process.

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