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### **ANNUAL CONSIDERATIONS FOR MEXICAN COMPANIES**

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During the first months of each year, it is a healthy practice to consider whether all registries, permits, powers of attorney and agreements of your Mexican company, are up to date.

With respect to agreements, it is particularly important to review whether or not your Mexican company has executed a Bailment Agreement through which it can protect from liens and encumbrances, the machinery and equipment such entity has under its possession but that is property of its parent company.

Furthermore, if your Mexican company has already executed a bailment agreement, it is important to analyze if, after such execution, additional machinery and equipment was brought under the possession of your Mexican entity, and therefore, if it is necessary to include such assets in the Bailment Agreement.

Regarding permits and registries such as FM3 work visas, Electronic Signature (in Spanish, known as "FIEL") and the Sole Registry of Legal Representatives, (in Spanish, known as "RUPA"), it is convenient to consider whether such registries and permits will expire within the current year or not, and therefore, to determine the best period of time to renew them.

On a final note regarding permits and registries, it is worth mentioning that some of the permits and registries mentioned need be to renewed on an annual basis while others every two years, and so forth, therefore, please be advised that they will not all need to be renewed annually, but once their expiration year arrives, they will need to be taken care of.

Concerning powers of attorney, it is advisable to ensure that the agents that have them are still active within the company, and therefore, that their powers are still necessary.

If on the contrary, some agents that have powers of attorney are no longer related to your Mexican Company, it is important to withdraw such powers.

Besides the aforementioned recommended annual considerations, at the beginning of each year it is also important to bear in mind the annual corporate obligations of your Mexican company.

In order to facilitate such recollection, and their actual accomplishment, we have summarized such annual corporate obligations, as follows:

#### **A) General Ordinary Shareholders Meetings**

The Mexican Law of Commercial Associations requires all Mexican corporations to hold a General Ordinary Shareholders Meeting at least once a year, during the first four months after closing their previous

corporate year, with the purpose of, among other things, approving the corporation's financial statements, appointing or reelecting the members of the Board of Directors or the Sole Administrator, and the corporation's examiner as well.

#### **B) Tax Report Shareholders Meeting**

Companies bound by law to perform audits in terms of article 32-A of the Federal Fiscal Code, have to provide to their shareholders through a Shareholders Meeting, a report that informs about the company's fulfillment of tax obligations, under penalty, in case of failure of complying with such provision, of being fined by the corresponding authority.

#### **C) Foreign Investment Registration Renewal**

According to the Foreign Investment Law and its Regulations, all Mexican corporations with foreign investment in their capital, must annually renew their registration before the National Registry of Foreign Investments, in accordance to the following schedule:

Companies whose name start with the letters:

- I. A through D, during the month of April
- II. E through J, during the month of May
- III. K through P, during the month of June
- IV. Q through Z, during the month of July

#### **D) Mexican IRS Notice**

The Federal Fiscal Code states that shareholders of Mexican companies that live abroad, in order to be exempt from the obligation to obtain an individual Tax Id Number, need to file an annual notice before the Mexican IRS within the first three months of the year, where they state the company's shareholders, their addresses, tax identification numbers of their country of origin and fiscal residencies.

#### **E) Foreign Trade Report**

In case your Mexican Company has an IMMEX program or other programs such as ALTEX, ECEX or PROSEC, your legal entity needs to file by May 31, 2010, at the latest, its annual foreign trade operations report, under penalty, in case such report is not filed, of having its IMMEX or other program, suspended and even canceled.

Finally, it is important to keep in mind that if any of the aforementioned obligations were not complied with during the previous years, they should be satisfied as soon as possible, as the more time elapses, the harsher the consequences may become.

Should you require assistance or further details with respect to any of the obligations and considerations aforesaid, we would be happy to provide them.

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