

CUSTOMS BROKERAGE FEES

Customs brokerage fees range from 0.5 to 1 percent of the value of the shipment. Customs and brokerage fees, which apply to goods once they are in Mexico, are generally paid for by the Mexican buyer. Transportation costs and loading fees are also generally the Mexican buyer's responsibility. If you must deliver goods to a destination in Mexico and assume the shipping costs, make sure that the freight forwarder or broker provides detailed documentation for the charges. Exporters should be aware that the 10 percent *Impuesto al Valor Agregado (IVA)*, Value-added Tax, also applies to total freight charges within Mexico.

INTERNATIONAL FINANCING CHARGES

Export credit insurance is available in Canada from the Export Development Corporation (EDC) and private insurers. Premiums vary depending on the term of coverage, the deductible, and the risks involved. Rates are currently in the neighborhood of one percent on shipments sold on an open account basis.

Most shipments to Mexican clients will be valued in US dollars. Therefore currency risks will affect the ultimate return to the Canadian seller. A company should consult money market specialists on means of minimizing currency risks, particularly if the transaction value is significant and if payment is guaranteed for a specific date. In other circumstances, a margin to allow for currency fluctuations should be calculated into the overall cost of the sale.

TAXATION

Companies that create a permanent establishment in Mexico, or employ a sales agent who has the power to execute contracts, will be subject to Mexican taxes. The corporate income tax rate is 35 percent of income earned in Mexico, a reduction from 42 percent in 1991. Employees' salaries are subject to a 35 percent withholding tax. The minimum tax payable by a corporation is two percent of the company's total fixed assets.

In 1992, Canada became the first country to sign a bilateral tax convention with Mexico. This eliminates double taxation and may reduce taxes for firms resident in Canada and doing business in Mexico. The treaty supersedes Mexico's tax laws in several areas - notably the taxation of royalty and fee remittances. There is a uniform withholding rate of 15 percent on remittances from Mexico to Canada. This differs from the general Mexican law which provides for up to 35 percent withholding tax on royalty remittances. In addition, the treaty includes limits on rates of withholding tax applicable to dividend remittances.

