

percent withholding tax on royalty remittances. In addition, the treaty includes limits on rates of withholding tax applicable to dividend remittances, should Mexico implement such a tax.

Setting Up a Corporation or Branch in Mexico

Canadian companies doing business in Mexico can choose between several alternative corporate forms. This description is intended only as a brief overview of the alternatives. A more detailed explanation is provided in the publication, *Moving Into Mexico*, which is part of the DFAIT Information Source on Mexico, export *i* series (<http://www.dfait-maeci.gc.ca/exporti>).

Partnership with a Mexican Firm

A partnership is an increasingly popular vehicle used by Canadian firms of all sizes to enter the Mexican market. A good partner can provide market knowledge, infrastructure, human resources and cultural counselling, all of which are vital to successful market entry. Partners can be especially important in service businesses that depend on a high degree of personal contact and cross-cultural communication. In

certain cases, Canadian professionals without Mexican accreditation can work through a local partner to deliver their services.

Incorporation or Branch Registration

Some Canadian companies set up branches in Mexico, but incorporation of a Mexican business entity is a more popular form of market entry. The Mexican Sociedad Anónima (designated as S.A.) is a limited liability corporation as that term is understood in Canada. Canadians can incorporate business entities on the same basis as Mexican citizens, provided that the company has a physical residence in Mexico. Incorporation can take one or two months and branch registration can take longer. A lawyer and a tax accountant are usually needed.

The Mexican government has taken steps to accommodate the needs of short-term service providers. In 1994, the Comisión Nacional de Inversiones Extranjeras (CNIE) (National Commission for Foreign

**Nice to meet you.
Mucho gusto.**