

Nice to meet you.

Mucho gusto.

convention with Mexico. It is called the Convention Between the Government of Canada and the Government of the United Mexican States for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income. This convention 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 royalties and fees remitted to Canada. 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, 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. More detailed information is provided in the publication *Steps Towards Entering the Mexican Market*, which is available on the InfoExport Web site (www.infoexport.gc.ca/mx).

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, which 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* (SA) is a limited-liability corporation, as that term is understood in Canada. Canadians can