

PERSONAL TAXES

Mexico recently imposed an income tax on non-residents who work 15 days or more in Mexico during a 12-month period. The tax is due regardless of whether the salary is paid by a non-resident employer or a Mexican entity. The regulations are vague in the definition of what constitutes a day's work or how the tax will be collected. The regulations imply that the employer is required to withhold 30 percent of the non-resident's gross salary. A Mexican tax expert can determine the extent of the fiscal impact on the company.

Mexico is striving to make its tax system more competitive, and is taking strong collection enforcement measures. Since tax laws are complex and subject to change, it is advisable to consult with a professional tax advisor in Mexico prior to establishing a new operation there.

DEVELOPING A PLAN

There are many reasons why companies pursue partnering arrangements for build-operate-transfer (BOT) projects. A company contemplating moving into Mexico should first assess its own corporate strategy. The objective is to decide what role the Mexican market will play in the company's overall plans. The Canadian company's strategy could range from pursuing a role as project developer or lead company in a project development consortium, to acting as a supplier, or subcontractor to the project developer. In general, leading a BOT project will require a large commitment of resources. Serving as a component supplier to a local engineering or construction firm, on the other hand, requires specialized expertise.

Once company managers have a clear sense of what they expect to gain from Mexico, the next step is to assess the firm's competitive strengths and weaknesses. Does it have the skills and resources to succeed in Mexico, in the face of different customs, values, and ways of doing business? What elements are missing?

A good way to start is to itemize the qualities and resources that the ideal partner should possess and then consider how that contribution might be structured. Entering a partnership without a clear set of objectives may result in the loss of control over its direction. Developing a clear plan before beginning to look for a partner can minimize these dangers.