

Banks

Five Canadian chartered banks — the Canadian Imperial Bank of Commerce, the Bank of Montreal, the Bank of Nova Scotia, the Royal Bank of Canada and the National Bank of Canada — have offices in Mexico. Over the years, they have established close relationships with Mexican financial institutions.

In October 1994, Mexico's Finance Secretariat granted approval, for the first time, for foreign banks, brokerage houses, insurance firms and financial holding groups to open subsidiaries in Mexico.

Canadian companies that need financial assistance to support their activities in Mexico should initially consult their banks in Canada. It is advisable to provide the name of your Canadian bank to your Mexican client and to suggest that payments be arranged through it.

Two Mexican banks, Banco Nacional de Mexico (BANAMEX) and Banca Serfin, have offices in Toronto.

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 on the income earned within the Mexican territory. The corporate income tax rate is 34 percent, reduced from 42 percent in 1991.

On January 1, 1992, Canada and Mexico entered into a convention on taxes, which had the effect of ensuring individuals and corporations were not subject to double taxation as a result of doing business in the other country. The convention is administered by Revenue Canada and the Secretaría de Hacienda y Crédito Público. The main advantage of the convention for Canadian companies is that the remittance of dividends from an affiliated company in Mexico, which is carrying on active business and in which the Canadian investor owns a minimum of a 10 percent interest, is tax free after payment of applicable taxes in Mexico. The withholding tax provisions of the convention have been superseded by more advantageous provisions recently introduced to Mexican tax law. This was the first comprehensive double taxation convention signed by Mexico and is generally patterned on the model double taxation conventions prepared by the United Nations and the Organization for Economic Co-operation and Development (OECD).