



## 1. Business etiquette and culture

### Relationship building

It is essential to spend time establishing a good working relationship and building trust with Mexicans, since everything depends on personal relationships. Business typically includes socialization outside of the work environment.

### Greetings

Mexicans are natural with physical contact. Handshakes' duration is longer than in Finland, and it is normal to use both hands placing the other hand on the upper arm, or even on the shoulder. It is common to see men patting their backs, or men and women hugging to greet each other. It is normal for men to kiss women on the cheek when they first meet.

Keep in mind that it might be considered unfriendly, untrustworthy or rude to back away from physical greetings.

### Communication

Spanish as a language is a useful tool when doing business in Mexico because it gives access to the large number of Mexicans who speak only Spanish and is always advisable for gaining market insight and building relationships.

English is also understood by many members of the business community in the capital and larger cities, as well as in the areas bordering the United States. Nevertheless, you should learn basic phrases in Spanish such as *por favor* (please), *gracias* (thank you), *adios* (goodbye) and *disculpe* (excuse me). If you do not have a fully bilingual member in your team, you should consider hiring an interpreter, preferably a native speaker.

Accommodate your language to your audience.

It is recommended to use the formal form of you, *usted*, when addressing elders, employers, superiors, co-workers and strangers. The informal you, *tú*, is used among friends, siblings and people who are on the same level.

Avoid using first names unless invited to do so. Address people using *Señor* (Mr.), *Señora* (Mrs.) or *Señorita* (Miss) and their last name. Mexicans respect titles. You may address someone by his or her title only.

Direct refusals are seen as rude; and if someone doesn't like an idea, a gentler, more diplomatic expression, such as *Let's wait and see* or *Let me think about that*, is usually used instead of *No*.

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### Discussion topics

Mexicans are fluent with small talk. Discussions about their family and friend will cause a positive interaction, so do not be afraid to ask about where they come from, what the typical food is there, what are the places of interest and be able to offer the same about your family and background. Offer compliments about the weather, food and the people you have met and share your plans during your time in their country. Do not be surprised if they talk openly and frankly about emotions, family and personal issues.

### Names and titles

When addressing someone in business you should use their professional (for example professor, doctor, engineer) and honorific titles. If the title is unknown, it is preferable use Señor o Señorita with a last name.

### Body language

Body language can be easily misconstrued. Standing with your hands on your hips suggests aggressiveness and hands in your pocket is impolite. Mexicans may not make eye contact, but this is considered a sign of respect and should not be taken as otherwise.

To agree with someone when you have a mouth full of food or to confirm, flexing the index finger couple of times means yes.

Raising your forearm and presenting the back of your hand means thanking someone, politely refuse an offer of food, and that the other person has been kind. It can mean either "thank" you or no "thank you".

### What to wear

Dress conservatively in the city. Dark suits never fail. Men should wear ties. Women should wear formal business attire. Women are also expected to wear makeup and have their hair styled at work. Jeans and T-Shirts are not appropriate. Avoid low-cut shirts and very short or tight skirts. When in doubt, it is better to be overdressed than underdressed.

### Meetings

You will need to book meetings well in advance and make sure you arrive punctually, even if your host does not.

Being well behaving with good manners is important and appreciated. Remember to thank you, always. Appearances matter—your clothes, jewelry, hotel accommodations, etc.

Know the rules and regulations and respect them. Corruption will get you to trouble.

Mexicans are extremely pleasant to do business with, but sometimes projects advance slowly due to

- Hierarchy: Big decisions are made by top executives, and they expect to do business with same-level executives, not with low-level representatives.
- Polychronic time orientation: multiple tasks concurrently.
- Mexicans are often optimistic in calculating the required time to do an assignment – when planning a project do some reality checks.
- Just on time or last minute planning, not so preventive, rather reactive, excellent reaction to emergencies.

Meetings may have interruptions. Maintain a friendly face and continue when the time is right – in the meantime small talk with others while the decision maker is focused again, unless you are indicated otherwise.

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A "NO" is not easily obtained – learn to read between the lines as the culture is high-context, communication is indirect and protecting everyone's face is important

### **Negotiations**

Business decisions are based in a large degree on trust and good relationships. Coming once to Mexico will not be enough.

It's beneficial to have a local partner. Mexican people do business with whom they like at a personal level, so developing solid relationships is key. To develop relationships, be warm and friendly, and do not rush. Ask your Mexican counterparts about their family, friends, customs, hobbies, etc.

Try not to change the person(s) in charge in Mexico. If you change the person you will also lose the relationships that have been developed.

Identify who are the real buyers, decision makers and influencers and customize your sales speech accordingly.

A good product is not enough. The buyer must be convinced of the product's superiority against the competitor's product. Client will challenge you. Listen and understand what the client needs. Understand and listen to clients' reasoning and look for a solution

Have a clear message and business case for client and partner – why my product resolves client's problem, how much money is he going to gain / save

Competition will always exist and it is global; know your competitors. Be able to explain your product's or service's advantages and disadvantages when comparing with the competition.

In many cases you will need to educate the client and authorities about new superior technologies.

Asking at the first meeting "so how many would you like to buy" creates a shock reaction and is not something you should do, even as a joke.

In the beginning, to get things moving it may take some time and pushing. Follow up is extremely important in order to make sales.

### **Hierarchy**

Mexican business culture is hierarchical, and decisions are made only in top level. Workers are used to getting straight orders. Although management structures in Mexico remain hierarchical (at worst, they can be paternalistic), business etiquette in Mexico is marked by a combination of formality and genuine warmth, friendliness and openness between individuals. Good manager in Mexico knows his employees also in a personal level.

### **Business hours**

Businesses usually run from 9am to 6pm. Lunch is generally eaten between 2 and 4 pm and dinner between 7 and 9 pm, though customs may vary throughout the country.

### **Business cards**

Business cards are used frequently. Come with a large supply.

### Gifts

Gifts are not usually given at business meetings, though a small token might be appreciated, but always in the right moment.

### Time management

Mexicans tend to be more flexible with time management, although this has started to change, and even more in international negotiations. Keep in mind that Mexicans are more relaxed regarding time, and for them it's completely understandable to be late for a meeting or business lunch, and it's certainly not a sign of disrespect.

Mexicans take the time to know the person they're considering doing business with, to create a relationship, and establish trust. They do business with the people, not with the corporation, which is too impersonal for them.

## 2. Starting a business

Mexico has different types of corporation that allow the structuring of foreign investments and to start-up a business in Mexico. These options can vary from legal entities to representation offices that generate no revenues. The gap between these two extremes is covered by joint venture agreements and commercial trusts.

The main legal entities (corporations) that foreign investors who wish to do business in Mexico can use are:

- Business Corporation (S.A.)
- Limited Liability Corporation (S. de R.L.)
- General Partnership
- Limited Partnership

Each of these may adopt the form of a variable capital corporation. These entities may be used to structure wholly-owned subsidiaries, as well as joint companies with both Mexican and foreign partners.

Another type of corporation available for investors is the limited partnership, which may perform economic but not profitable activities. This means that a limited partnership may not enter into trading activities.

Consequently, this type of company is used by professional service providers and charity organizations, etc. and other similar entities.

The following investment vehicles are also available and although they are not formally recognized as legal entities in Mexico, they offer attractive features for foreign investors:

- Joint corporation (joint venture)
- Trust agreement (trust fund)
- Branch
- Representation office

### Intellectual Property

The Mexican Intellectual Property Institute (IMPI), under the command of the Ministry of Economy regulates the use of patents, trademarks, advertisement and business names in Mexico. An independent intellectual property rights lawyer can help you to determine the best strategy for your company.

<https://www.gob.mx/impi>

### 3. Employee Profit Sharing by Mauricio Foeth

Under Mexican law, employees are entitled to a share in the company's profits, currently calculated on the basis of 10 percent of the company's pre-tax income. It is compulsory for all businesses.

New companies are excluded from this requirement during their first year of operation. In addition, the highest-ranking officer(s) of a company is not entitled to this benefit.

#### Legal framework:

In businesses whose income is derived exclusively from personal services, the amount of profit share is capped at one month's salary.

The mandatory profit sharing does not apply in the following cases:

- Newly established entities, during the first year of operation;
- Newly established entities engaged in manufacturing a new product, during the first two years in operation;
- Entities engaged in mining, during the exploration period;
- Public and private welfare institutions; and
- Businesses whose capital and/or gross income do not meet certain minimums established by the Ministry of Labor.

#### Planning ahead

Companies starting operations in Mexico should take profit sharing into account when implementing their corporate and tax structures. All foreign companies with operations in Mexico should consider profit sharing on a yearly basis when drafting their variable compensation plans to ensure that employees working in Mexico are not overcompensated due to profit sharing in comparison to employees working in other countries who are performing the same type of job but are not eligible to receive this benefit.

Tax losses being carried forward for income tax purposes do not reduce the basis for computing the employee profit participation. This participation has to be paid to the employees by the end of May of the year succeeding the end of the fiscal year.

### 4. Overview of Business Taxation by EY

#### Income tax, Mexican-resident corporations Determining the taxable base

The corporate income tax rate in Mexico is 30%. Mexican-resident corporations pay income tax on their worldwide income. A corporation is considered a resident taxpayer when the address of its headquarters is located in Mexico. In addition, a permanent establishment (PE) of a foreign resident is taxed at the same rate as a Mexican resident, but only on the income it earns in Mexico. In general, expenses incurred by taxpayers related to their activities are deductible for income tax purposes. However, Mexico's tax rules require that a series of requirements and formalities be met in respect of each transaction to be able to take the deduction. These requirements include obligations related to maintaining accounting records and having tax receipts. In Mexico, capital gains and losses are treated as ordinary income and deductions, except for most losses incurred on sales of shares.

#### Tax loss carryforward

The term for carrying forward tax losses is 10 years, although there are restrictions on the use of such losses in the case of mergers and spin-offs in Mexico.

### Dividends

Starting in 2014, Mexican-resident corporations must withhold 10% of the dividends or other earnings that they distribute to their individual and corporate foreign shareholders.

For individuals, this 10% withholding tax on their earnings distributions or dividends is a non-creditable tax payment. It is important to analyze on a case-by-case basis whether a foreign resident is a beneficiary of any of the 50 treaties to avoid double taxation that Mexico is currently party to, since this could reduce the maximum withholding rate for the foreign resident or, in some cases even eliminate the withholding requirement entirely.

### Thin capitalization rules

Interest expense related to loans from non-resident related parties is non-deductible to the extent that the financing exceeds a 3-to-1 debt to equity ratio. Loans received for the construction, operation, or maintenance of productive infrastructure related to Mexico's strategic areas are exempt from the 3-to-1 ratio thin capitalization requirement.

### Transfer pricing

Mexican taxpayers are required to perform their transactions with related parties at market values, and they must file an annual information return for their transactions.

Mexican taxpayers are also required to provide and maintain support documentation (i.e., a transfer pricing study) as evidence that their revenue and deductions resulting from their intercompany transactions are for amounts that would have been earned and incurred had the transactions been carried out with non-related parties under similar conditions.

Acceptable transfer pricing methods in Mexico include the comparable uncontrolled price method; the resale price method; the cost-plus method; the profit split method; the residual profit split method; and the transactional net margin method.

Taxpayers have the option of securing an advanced price agreement (APA) with the tax authorities to have confirmation of their transfer pricing method. APAs *may be applied* for a period of up to five years in the case of unilateral agreements, or even longer in the case of bilateral agreements.

### Inflation adjustments

Mexican companies must recognize the effects of inflation on the gains or losses attributable to their monetary assets and liabilities. *Accordingly, in determining how an investment in Mexico will be financed, a company needs to consider the income tax treatment of their borrowing costs, as the inflation gains arising on their debt will likely either fully or partially offset this interest expense in such a way that the tax benefit from the deduction of the interest expense will be eroded for the taxpayer.*

### Value added tax (IVA)

The Mexican Value Added Tax Law sets forth that value added tax (IVA) is payable by individuals and corporate entities that perform any of the following activities in Mexico:

- sales of goods and merchandise
- rendering of independent services
- granting the use or temporary enjoyment of goods
- importing goods or services.

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The general IVA rate is 16%, although a 0% IVA rate may apply for certain transactions, such as the export of goods and certain services and sales of food, medicines, books, and gold..

### Special tax on production and services

Individuals and corporate entities are required to pay the special tax on production and services on sales or imports of spirits, wine and beer, denatured alcohol, non-crystallizing syrup, finished tobacco products, and gasoline and diesel fuel, among other goods. The tax rate varies based on the product in question. This is an indirect tax, since it is not paid directly, but rather it is passed on and collected from the taxpayers' customers (except on imports) and the taxpayer only reports this tax to the Tax Administration System (SAT).

### Property tax

Property tax in Mexico is paid to municipal governments. This tax is levied on property or the ownership of real estate and is intended to bring revenue to municipal governments. Property tax rates range from 0.7% to 0.8% applied to the value of the property. The value of a property is determined considering its value per square meter and based on the location of the property, as set forth in the property tax laws of the state in question. The value of a given property depends on the terms of the property tax law of the state where the property is located.

## 5. Exportation key facts by ProMéxico

The basic documentation required in any export process is as follows:

- Commercial invoice
- Conferred order (authorization to the customs authority for the customs agent to carry out the dispatch on behalf of the exporter)
- Letter of instructions to the customs agent (specific and detailed information of the operation delivered directly to the customs agent)
- Packing list
- Certificate of origin
- Transport document
- Documents that support compliance with regulations and non-tariff restrictions, such as: health certificates, quality certificates, permits, etc..

## 6. Billing and payments

### Payment period

Payment patterns vary, often companies give a payment period of 90 days or more.

### Financing agreements for exports

The Financing Agreements generally operate as follows:

- 1 The bank determines the credit limits corresponding to the clients.
- 2 The company sells to the customer and selects a payment period, e.g. 90 days.
- 3 The company reports the invoice to the banks online system and, if desired, will receive approximately 80–90 % of the invoice as an "advance".
- 4 The customer pays the payment to a separate account managed by the bank.
- 5 Nordea records the payment in its system and pays the invoice (or the remainder) to the company.
- 6 Costs:
  - Fixed account management fee.
  - Interest, calculated on the basis of the actual financed amount.



Some Finnish exporters in Mexico have financing agreements with Nordea Finances, which they recommend because of their export credit insurance.

For more information on Nordea's financing agreements, see Nordea Finances: [mysa@nordea.com](mailto:mysa@nordea.com).

## 7. Associations / Institutions

### Energy

- ALAGIR AMEXA
- SENER - Secretary of Energy <https://www.gob.mx/sener>
- AME - Mexican Association of Energy <http://asociacionmexicanadeenergia.com.mx/>
- ANES – National Association of Solar Energy <http://www.anes.org/cms/index.php>
- AMDEE – Mexican Wind Energy Association <http://www.amdee.org/>
- ASOLMEX - Mexican Photovoltaic Solar Energy Association <http://www.asolmex.org/>
- AMESCO - Mexican Association of Energy Services Companies <http://amesco.org.mx/>
- AMEXHIDRO - Mexican Association of Hydroelectric Energy <http://amexhidro.org/>
- MERM - Women of Renewable Energy in Mexico <https://www.mermx.org/>

### ICT

- AMITI - Mexican Association of the Information Technology Industry <http://amiti.org.mx/>
- CANIETI - National Chamber of the Electronic Industry of Telecommunications and Information Technologies <http://www.canieti.org/Inicio.aspx>
- ANIEI - National Association of Information Technology Education Institutions <http://www.aniei.org.mx/ANIEI/>
- INFOTEC - Center for Research and Innovation in Information Technology <https://www.infotec.mx/>

### Security

- ASI - Alliance for internet security <http://asi-mexico.org/sitio/?cuerpo=interiores/ailanza> AMECI – Mexican Association of Cybersecurity <https://www.ameci.org/>
- Mexican Association of Internet <https://www.asociaciondeinternet.mx/es/> ASIMX - Mexican Computer Security Association <http://www.asimx.org/>

### Education

- ANUIES - National Association of Universities and Institutions of Higher Education <http://www.anuies.mx/>
- ANEFEP - National Association of Schools and Faculties of Education and Pedagogy <http://anefep.org.mx/>
- AMPEI – Mexican Association of International Education <http://www.ampei.org.mx/>
- Mexicanos Primero <http://www.mexicanosprimero.org/> EA – Association of Distance Learning <http://educacionabierta.org/>
- PROED - <http://proeducacion.org.mx/>
- LAZOS - <http://www.lazos.org.mx/>

### Mining

- Cluster Minero Sonora <http://www.clusterminerosonora.com.mx/> Cluster Minero de Zacatecas <http://clusmin.org/>
- Cluster Minero de Chihuahua <http://www.clumin.org/>
- CAMIMEX, Mexican Mining Chamber - <https://www.camimex.org.mx/>



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- Asociación de Ingenieros de Minas, Metalurgistas y Geólogos de México - <http://www.geomin.com.mx/>

### Healthcare

- Mexico vivo – Sexual Education - <http://mexicovivo.org/new/>
- Alianza por la Salud Alimentaria - Alliance for Health & Nourishment <http://alianzasalud.org.mx>
- SMSP – Mexican Public Health Association - <http://www.smsp.org.mx/>
- AMSA - Medical Alliance for Health - <http://amsa.mx/>
- SEDESA – Secretary of Health - <https://www.gob.mx/salud>

## 8. Legal Advice, Accounting, H&R, Real Estate, etc.

### Legal Advise & Accounting

- **ALC**  
<https://alc.com.mx/>
- **Bridgepoint**, Alvaro Munguia,  
[amunguia@bridgepoint.com.mx](mailto:amunguia@bridgepoint.com.mx)
- **Crowe Howart**  
<https://www.crowehorwath.net/mx>
- **Deloitte**  
<https://www.deloitte.com/mx>
  - Mexico City +52 (55) 5080 6000
- **Dentons**  
<https://dentons.lopez-velarde.com/>
  - Rogelio López-Velarde Managing Partner, Mexico City,+52 55 3685 3334,  
[rogelio.lopezvelarde@dentons.com](mailto:rogelio.lopezvelarde@dentons.com)
- **KPMG**  
<https://home.kpmg.com/mx/es/home.html>
- **PwC**  
<https://www.pwc.com/mx>
- **Traust accounting & Legal**  
<http://accountingfirm.mx/>
- **Whitaker**  
<https://www.whitakermexico.com>

### Recruiting & H&R

- **Adecco**  
<https://www.adecco.com.mx/contacto/>

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- **DHR International**  
<http://www.dhrinternational.com/about/dhr-offices/north-america/mexico-city/>
- **Jobplex**  
<http://www.jobplex.com/>
  - Johannes Viholainen, +52 55 3455 3279, [jviholainen@jobplex.com](mailto:jviholainen@jobplex.com)
- **Korn Ferry**  
<https://www.humaniq.com.mx>
- **Michael Page**  
<https://www.michaelpage.com.mx/>
- **Monroe Consulting Group**  
<https://www.monroeconsulting.com.mx>

### Real estate & Offices

- **21 Century**  
<http://century21mexico.com/contactanos>
- **Avison Young**  
<http://www.avisonyoung.mx>
  - +52 55 4742 3900, Managing Director Guillermo Sepúlveda
- **Bridgepoint México**  
<http://www.bridgepoint.com.mx/>
  - Alvaro Munguia, [amunguia@bridgepoint.com.mx](mailto:amunguia@bridgepoint.com.mx)
- **Mexpatria**  
<http://www.mexpatria.com/>
  - Marja Salaspuro + 521 55 4390 2172
  - Sonia Korhonen + 521 55 4345 0614
  - [info@mexpatria.com](mailto:info@mexpatria.com)
- **JLL**  
<http://www.jll.com.mx/mexico/es-mx>
  - Pedro Azcué, CEO, Mexico & Greater Latin America, [pedro.azcue@am.jll.com](mailto:pedro.azcue@am.jll.com)
- **Keller Williams**  
<https://www.kwmexico.mx/>

## 9. Sources & Ready-made information available online

### **Acrecent: Doing Business in Mexico: Understanding Mexican Business Culture & Etiquette**

<https://www.acrecent.com/doing-business-in-mexico-understanding-mexican-business-culture-etiquette/>

### **Deloitte: International Tax – Mexico Highlights 2017**

<https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-mexicohighlights-2017.pdf>

## **DOING BUSINESS IN MEXICO**

### **Doing Business in Mexico: Mexico Trade and Export Guide**

<https://www.gov.uk/government/publications/exporting-to-mexico/exporting-to-mexico>

### **Doing Business in Mexico, PWC 2015**

<https://www.pwc.de/de/internationale-maerkte/assets/doing-business-mexico.pdf>

### **Doing Business in Mexico, EY 2015**

[http://www.ey.com/Publication/vwLUAssets/EY-doing-business-mexico-2015-english/\\$FILE/EY-doing-business-mexico-2015-english.pdf](http://www.ey.com/Publication/vwLUAssets/EY-doing-business-mexico-2015-english/$FILE/EY-doing-business-mexico-2015-english.pdf)

### **Doing Business in Mexico, The World Bank 2016**

<http://www.doingbusiness.org/Reports/Subnational-Reports/mexico>

### **Doing Business in Mexico, Moore Stephens**

<https://www.moorestephens.com/MediaLibsAndFiles/media/MooreStephens/Shared-Content/Shared-Publications/Guides/Doing-business-in-Mexico-2017-Moore-Stephens-International-Limited.pdf?ext=.pdf>

### **Doing Business in Mexico, Baker McKenzie 2017**

[http://www.bakermckenzie.com/-/media/files/insight/publications/doing-business-in-mexico/bk\\_mexico\\_dbi\\_2017.pdf](http://www.bakermckenzie.com/-/media/files/insight/publications/doing-business-in-mexico/bk_mexico_dbi_2017.pdf)

### **ProMéxico - Investing in Mexico step-by-step**

<http://www.promexico.gob.mx/en/mx/pasos-invertir-mexico>

### **Ministry of Foreign Relations**

<https://www.gob.mx/sre>

### **Ministry of Economy**

<https://www.gob.mx/se/>

### **ProMéxico: Exporting step-by-step**

<http://www.promexico.gob.mx/en/mx/pasos-exportar>