



QUICK GUIDE

# Setting Up a Business in Mexico



# Doing Business in Mexico

In addition to creating an operational infrastructure, establishing operations in Mexico is a complex process involving a variety of governmental and private entities. This guide is an overview of the key steps required during the process whether you are setting up operations as a shelter company or a stand-alone entity.

## Shelter vs. Standalone Entity: Which Is Best for You?

When manufacturing in Mexico, you can choose to operate under IVEMSA's shelter to reduce risk, or you can obtain your own maquiladora license and create a standalone entity. Below, we highlight some of the major differences between operating under a shelter program or setting up your business in Mexico as a standalone entity.

### Shelter

You'll be running your manufacturing operations under a "shelter," an entity technically owned by IVEMSA, so all liabilities and exposure in Mexico are for the IVEMSA entity. Although you'll have full control over your manufacturing processes and all the decisions made at your plant, you'll operate under our business license, and IVEMSA will handle all the set-up and administrative processes.

- Start production in 6-8 weeks
- Reduced learning curve to operate in Mexico
- No additional investment needed to set up admin departments and systems
- IVEMSA secures all licenses, permits and certifications
- Reduced legal risk and liabilities
- Exemption from VAT payments at Mexican customs
- You can focus 100% of your time on your core business.

**Cost savings: Approximately 30% savings over setting up on your own.**

### Standalone Entity

If you prefer to set up your own Mexican corporation, IVEMSA can guide you through the process of setting up and running a business in Mexico. We will help you obtain IMMEX / Maquiladora permits and other required permits and registration you will need to operate. We can also provide ongoing management services (HR, accounting, etc.) to help your operations run smoothly.

- Start production in 16-24 weeks
- Mexican entity incorporation needed
- Full exposure to Mexican fiscal, labor and trade authorities
- IVEMSA will take care of the non-core departments including HR, Mexico accounting, trade compliance, payroll processing, local accounts payable, etc.
- Must secure all licenses, permits & certifications before opening
- Software purchasing needed

**Cost savings: Approximately 20% savings over setting up on your own.**

## Setting Up a Shelter Program

### Initial Stage

- Provide required company information
- Select Project Coordinator
- Submit Shelter Agreement
- Establish and transfer Funds
- Apply for Environmental permits
- Sign Bailment agreement
- Sign Agreement for Foreign personnel working in Mexico

### Building Facilities

- Sign Lease Agreement
- Get building insurance
- Design production layout
- Determine and estimate leasehold improvements
- Determine and estimate production installations

### Utilities

- Contract Power Co. and prepare electric installations
- Contract City water and prepare water installations
- Contract Natural gas and prepare gas installations
- Contract and prepare telephone lines and internet service installations

### Human Resources

- Create Organization Chart
- Create and authorize Salaries and benefits packages
- Provide migration information and keep record of the Migration permits for foreigners
- Start the personnel hiring process
- Register company at IMSS & INFONAVIT

### Traffic & Customs

- Meet and select US and Mexican Custom Brokers
- Create raw materials list
- Create finished good products list
- Create machinery and equipment list
- Create spare parts and accesories list
- Determine applicable duties
- Prepare equipment & raw material permits
- Prepare extension of Ivemsa IMMEX program
- Establish government plant verification
- Prepare to ship machinery & equipment
- Prepare to ship raw materials

### Services & Purchases

- Quote and select security providers (alarm, guards, extinguishers...)
- Quote and select other services (trash, pest, cleaning...)
- Support main purchasing for Start up process

### Start Up

- Provide executive & family assistance
- Set up Accounting Procedures
- Set up Human Resources Procedures
- Set up Traffic & Customs Procedures

## Setting Up as a Standalone Entity

### Initial Stage

- Provided required company information
- Select Project Coordinator
- Submit Entity Agreement

### Legal

- Incorporation of the Company, Registration Public Registry of Property, Registration Foreign Investment Agency
- Set Powers of attorney
- Obtain at SAT the company's subscription and RFC (Mexican Fiscal Authorities Registry)

### Finance

- Set up legal representative at SAT
- Set up the company's electronic signature
- INEGI Registration
- State registration

### Building Utilities

- Select landlord, prepare lease agreement and Sign lease agreement
- Contract Power Co. and prepare electric installations
- Contract City water and prepare water installations
- Contract Natural gas and prepare gas installations
- Contract and prepare telephone lines and internet service installations

### Traffic & Customs (Part 1)

- Prepare IMMEX application (Maquila Permit)
- Prepare PROSEC application (Sectorial Program)
- File IMMEX & PROSEC Applications
- Get plant verification by the Ministry of Economy
- Create Rule 8th permit application
- Create COFEPRIS Permit application

### Human Resources (Part 1)

- Request and registration of the Company at IMSS (Mexican Social Security Institute)
- Request registration at the Secretary of Labor
- Request registration at INFONAVIT-FONACOT
- Set up employees at IMSS
- Complete Migration file and registration
- Request and set up Environmental registration

### Building

- Quote and contract building insurance
- Design production layout
- Determine and quote leasehold improvements
- Determine and quote production installations

### Accounting

- Open credit with suppliers
- Select Mexican and American banks
- Open bank accounts for general suppliers (pesos and dollars)
- Print checks with company name
- Test printing policy checks
- Open bank accounts for payroll
- Create printing receipts and payroll checks
- Implement electronic banking

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next page...**



## Setting Up as a Standalone Entity (continued)

### Traffic & Customs (Part 2)

- Meet and select US Custom broker, Mexican
- Custom Brokers and freight company
- Create raw materials list
- Create finish good products list
- Create machinery and equipment list
- Create spare parts and accesories list
- Determine applicable duties
- Prepare equipment & raw material permits
- Prepare to ship machinery & equipment
- Prepare to ship raw materials

### Human Resources (Part 2)

- Create Organization Chart
- Create/authorize salaries and benefits packages
- Start the personnel hiring process
- Implement Human Resources and Payroll system
- Create labor contracts
- Create stationery and badges
- Employee handbook and incorporate committee
- Select Insurance company

### Services & Purchases

- Select service companies related to personnel services (transportation, security)
- Quote and select security matters (alarm, guards, extinguisers...)
- Quote and select other services (trash, pest control, cleaning...)
- Determine main purchasing for the Start up process

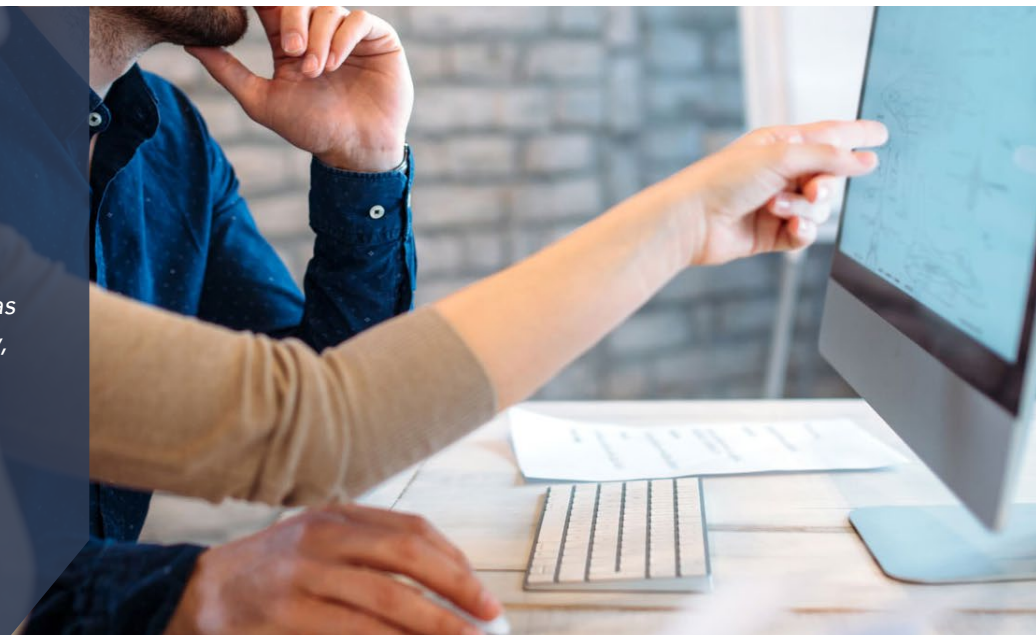
### Start Up

- Provide executive & family assistance
- Set up Accounting Procedures
- Set up Human Resources Procedures
- Set up Traffic & Customs Procedures



*Eventually we realized that the price we pay IVEMSA vs. the risk and amount we would have invest to create a unique entity is well worth it. IVEMSA not only has more leverage than we would individually, but working with them saves us a lot of paperwork, and reduces our liability.*

**Ardy Najafian,**  
General Manager,  
GKN Aerospace Mexicali



## Is Mexico Manufacturing Right for You?

Is setting up a manufacturing operation in Mexico the right step for your company? Only you can make that decision. But if cutting costs or moving operations from Asia or the U.S. to a more strategic location is a factor in your growth, Mexico is an option that deserves to be considered. For a more detailed analysis of cost savings for your operation, or to see for yourself how Mexico can fit into your cost reduction plans, we can help plan a visit tailored to your specific requirements. Contact us to schedule a consultation.

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## About IVEMSA

IVEMSA is a comprehensive administrative services provider with nearly 40+ years of supporting foreign companies' manufacturing operations in Mexico. We offer both shelter and standalone support services with a dedicated team of professionals in six functional areas. Many of the IVEMSA team members have been with the company for many years, building and mining the resources and network necessary to provide the smoothest manufacturing operations and shipping possible for companies from around the world. And no matter how the company has grown, the core values of honesty, integrity, hard work and customer satisfaction, remain at the heart of everything IVEMSA does.

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