

GOODRICH, RIQUELME Y ASOCIADOS



PASEO DE LA REFORMA 265
COL. Y DEL. CUAUHTEMOC
06500 MEXICO, D.F. MEXICO
APARTADO POSTAL 93 BIS
06000 MEXICO, D.F.

TELS. (52-55) 5533-00-40
FAX: (52-55) 5525-12-27

E-mail: mailcentral@goodrichriquelme.com
www.goodrichriquelme.com

8/10, rue Ventadour
PARIS 75001 FRANCE
TEL: (33-1) 42-60-27-00
FAX: (33-1) 42-60-27-13
E-mail: grparis@goodrichriquelme.co

PRINCIPAL TAX OBLIGATIONS FOR COMPANIES RESIDENT IN MEXICO

A. INCOME TAX.

Companies are subject to this tax, payable annually at a rate of 28%, which is applied to the taxable "fiscal result" (Article 10 of the Income Tax Law).

The "fiscal result" is obtained by applying to the total income obtained during the tax year the corresponding deductions and, as the case may be, the fiscal losses of prior tax years pending application.

Income tax for each year must be paid through an annual return filed by electronic means within the first three months of the following year.

Beginning on the second tax year, monthly partial payments of this tax must be made, not later than the 17th of each month (Article 14 of the Income Tax Law).

Partial payments are determined based on nominal income and a factor known as profit coefficient, which is obtained from the results of the prior tax year.

It is important to note that the tax year corresponds to the calendar year.

a. Additionally, the following obligations exist:

a.1 Information regarding trusts

A return must be filed not later than February 15th of each year, reporting all transactions carried out during the previous year through trusts which perform entrepreneurial activities (Article 86, Section XVI of the Income Tax Law).

a.2 Balance sheet and Inventory.

A statement of the company's financial situation and an inventory must be prepared as of the last day of each tax year, in accordance with Article 91 of the Regulations to the Income Tax Law (Section V of Article 86 of the Income Tax Law).

a.3 Report on loans from residents abroad.

A return of this nature must be filed before the tax authority no later than February 15th of each year, furnishing the following information:

a.3.1 The unpaid balance, as of December 31 of the previous year, of loans obtained from or guaranteed by residents abroad; and

a.3.2 The type of financing, name of the beneficiary of the interest, type of currency, interest rate, and the due dates of the principal and accessories, of each one of the loans mentioned.

The foregoing is based on Section VII of Article 86 of the Income Tax Law.

a.4 Informative tax returns.

a.4.1 These returns must be filed before the tax authority no later than February 15th of each year, stating:

a.4.1.1. Information regarding all transactions carried out during the previous year with the 50 most important suppliers, and with clients with whom transactions exceeded \$50,000.00 Mx Cy.

a.4.1.2. Information regarding persons to whom the taxpayer has withheld income tax, as well as information related to foreign residents to whom payments have been made in accordance with Title V of the Income Tax Law, titled "Of Foreign Residents with Income Derived from Sources of Wealth Located within Mexico".

a.4.1.3 Information regarding persons to whom cash was delivered as a credit on their salaries during the previous year, in accordance with the applicable rules issued by the Secretariat of Treasury and Public Credit.

a.4.1.4 Information regarding persons to whom donations were made during the previous year.

a.4.1.5 Information regarding individuals to whom the taxpayer has withheld income tax from rents for the lease of real estate.

a.4.1.6 Information regarding individuals to whom the taxpayer has withheld income tax from fee payments.

a.4.1.7 Identification data corresponding to the shareholders to whom the company has paid dividends or profits.

a.4.2. Monthly tax returns must be filed no later than the 17th of each month, in connection with considerations received in cash in Mexican or foreign currency, gold and silver during the previous month, if said considerations amount to more than one hundred thousand pesos (US\$ 9,090.00 approximately).

The above obligations are set forth in Sections IV, IX, X, XIV subparagraph c) and Section XIX of Article 86 of the Income Tax Law.

a.5. Tax Havens.

An informative return must be filed in February of each year regarding investments corresponding to the prior tax year made or maintained during the prior year in countries or territories with preferential tax regimes, or with companies or entities which are resident of or located in said jurisdictions, together with statements of accounts regarding deposits, investments, savings and others, as applicable, or the documents which are subject to the general rules established by the Tax Administration Service.

This obligation is contemplated in of Article 214 of the Income Tax Law.

a.6 Related Parties

An informative return must be filed simultaneously with the annual tax return, regarding transactions with related parties residing abroad carried out during the previous year.

This obligation is contemplated in Section XIII of Article 86 of the Income Tax Law.

a.7 The following obligations are part of the day-to-day obligations of a company, and must be complied with permanently:

a.7.1 Accounting.

Accounting must be kept in accordance with the provisions of the Federal Fiscal Code, the Regulations thereof, and the Regulations to the Income Tax Law, and the entries must comply with these statutes. When transactions are performed in foreign currency, the applicable rate of exchange must be recorded as of the date when the transaction was carried out (Section I of Article 86 of the Income Tax Law).

a.7.2 Transactions with securities.

The company must keep a record of all transactions with securities which are issued as part of a series.

This obligation is contemplated in Section XI of Article 86 of the Income Tax Law.

a.7.3 Accelerated depreciation.

The company must keep a record of accelerated depreciation, stating the information related to the supporting documentation (invoices) and the description of the assets, the applicable depreciation rate, the tax year in which the accelerated depreciation was taken and the date in which the accounting registry of each asset has been cancelled.

The record must be complete by the date on which the annual tax return with application of the accelerated depreciation should be filed.

(Article 86 section XVII of the Income Tax Law).

a.7.4 Documents related to sales.

Invoices must be issued for all activities performed, and a copy of said invoices must be made available to the tax authorities.

This obligation is contemplated in Section II of Article 86 of the Income Tax Law.

a.7.5 Records regarding residents abroad.

A record must be issued regarding the amount of payments made which constitute revenue from sources located in Mexico according to Title V of the Income Tax Law, or payments made to establishments abroad by Mexican credit institutions (in terms of Article 51 of the Law) and, as the case may be, the tax withheld in the name of the resident abroad or from the said credit institutions.

This obligation is set forth in Section III of Article 86 of the Income Tax Law.

a.7.6 Related parties residing abroad

In the case of taxpayers who have entered into transactions with related parties residing abroad, the supporting documents must be obtained and kept by the company, showing that the amount of their revenues and deductions has been calculated in accordance with the prices or the amounts of considerations used by independent parties in comparable transactions. Additionally, a transfer pricing study must be made disclosing the method used by the company to determine its prices, according to the transfer pricing provisions of the Income Tax Law.

This obligation is based on Section XII of Article 86 of the Income Tax Law.

a.7.7 Establishments abroad

Residents in Mexico who have establishments abroad have the following obligations:

- a.7.7.1 They must maintain accounting books and records corresponding to the establishment, in the terms described in the Income Tax Law and the regulations thereto.
- a.7.7.2 They must maintain in the establishment, during the term mentioned for that purpose in the Income Tax Law and the Federal Fiscal Code, the books, records and supporting documents concerning the entries for the establishment, and the documents showing compliance with fiscal obligations.

a.7.8 Regarding inventories

A control of merchandise inventories, raw material, products in process and final products must be kept, according to the perpetual inventory system. Taxpayers may include variations to the above-mentioned system as long as the requirements set forth in the corresponding general rules are met.

(Article 86 section XVIII of the Income Tax Law)

a.7.9 Partners or shareholders meetings

In case of taxpayers who have the obligation of filing an auditor's tax report according to the Federal Tax Code, the report regarding compliance with tax

provisions, which was included in the last auditor's report filed before the tax authorities, must be provided to the partners or shareholders in the Ordinary General Meeting (Article 86 section XX).

B. VALUE ADDED TAX.

This tax is assessed on the following actions, when they take place within Mexican territory:

1. Transfer of goods;
2. Temporary use of goods;
3. Rendering of independent services;
4. Importation of goods and services.

The tax is generated at the rate of 15% on the price or, as the case may be, on the value of the goods (imported). However, some transactions are subject to a rate of 0% (zero-rated).

For each taxable transaction, the taxpayer must transfer the tax to entities or individuals who buy goods or receive the temporary use thereof. In the case of imports, the importer pays the tax directly at the time of the importation (customs).

A credit in an amount equivalent to the tax collected from the taxpayer against the tax collected by the same taxpayer is applicable (Article 4 of the Value Added Tax Law) according to a procedure described in the law. The difference between the tax collected and the tax to be credited will be the amount of tax payable, or will constitute a balance in favor of the taxpayer.

Each month, the taxpayer must file a tax return with the corresponding payment or balance. The tax payment shall be the difference resulting between the tax corresponding to the total activities carried out in the month for which payment is made, and the amounts for which credit is proper (tax collected from the taxpayer and tax paid at the import).

It is important to mention that exports of goods and of certain specific services are zero -rated with regard to the Value Added Tax.

Permanent obligations of the company (of a successive nature)

b.1. Accounting and Severability of Transactions

Accounting must be maintained in the terms of the Federal Fiscal Code, the

Regulations thereto, and the Regulations to the Value Added Tax Law. Further, a separation must be made between the transactions for which tax must be paid at different rates, and those which the law determines as non-payable.

This obligation is set forth in Section I of Article 32 of the Value Added Tax Law.

b.2 Invoicing

Invoices that comply with requirements provided in the law must be issued, disclosing the Value Added Tax at the appropriate rate, if applicable. This evidence must be delivered or sent to the person responsible for payment of the corresponding price for goods or services, within 15 days following the date when the tax is payable.

In the case of transactions carried out with the general public, the tax will be included in the price at which goods or services are offered, as well as in the invoices issued, except when the purchaser or whomever receives the service or makes use or enjoys temporarily the goods requests that invoices be issued in the manner described in the preceding paragraph.

When requested by the purchaser, the tax shall be disclosed.

b.3 Reports of withheld tax

Reports must be issued regarding the tax withheld whenever required by the law (i.e. payment of professional services rendered by individuals).

b.4 One Return per Taxpayer

If the company has several establishments, one only monthly return shall be filed before the authorized office corresponding to the company's fiscal domicile.

In each establishment, copies of the returns must be kept, and such copies shall be furnished to the fiscal authorities of the states where the establishments are located, when so required.

C. ASSET TAX

This tax is payable on the assets held by the company.

It is important to mention that the obligation to pay this tax begins after four fiscal years following the date when the company started activities (Article 6 of the Asset Tax Law).

The tax is payable at a rate of 1.25% on the value of the assets of the taxpayer.

The assets considered for this purpose are financial assets, fixed assets, deferred charges, land and inventories.

Starting in 2007, taxpayers will not be allowed to deduct from the value of the assets the debts contracted with companies resident in Mexico, or with permanent establishments located in Mexico, or with residents abroad. This amendment to the law could be challenged as unconstitutional.

This tax is payable annually, and partial payments must be filed not later than the 17th day of each month throughout the fiscal year.

The amounts of the partial payments are determined by dividing by twelve the updated tax corresponding to the immediately prior fiscal year, and multiplying the result by the number of months between the beginning of the year and the month to which the payment corresponds. Credit for the tax previously paid may be obtained against the current tax payable.

Companies subject to the Asset Tax must file, together with the income tax return, the return determining the asset tax for the year, within three months following the end of the tax year.

Since this tax is complementary to income tax, liability for the asset tax may be credited against an equivalent amount of income tax.

Also, an equivalent amount of advance payments on income tax may be credited against the amounts payable for asset tax.

D. Withholdings

Mention is made of the obligations of withholding on the part of the company with respect to salaries, fees, payments abroad and any other payments to individuals, which implies the joint liability of the company which has the obligation to withhold. It is therefore important to carry out the withholding and payment of the corresponding income tax, in strict observance of all legal provisions.

Additionally, there are various obligations contained in the Federal Fiscal Code which must be complied with, concerning notices that should be given to

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authorities with respect to the situation of the company and regarding its accounting and records.

If you have any questions, please contact any of the following persons for assistance.

Raúl Moreyra Suárez	5525-6167	moreyra@goodrichriquelme.com
María del Rosario Huet Covarrubias	5207-5203	rhuet@goodrichriquelme.com
Ana Celia Salinas Romero	5208-2035	asalinas@goodrichriquelme.com
Mario Ramírez Vargas	5208-1097	mr Ramirez@goodrichriquelme.com
Sergio Ruiz López	5525-3908	sruiz@goodrichriquelme.com
Marisol Cervantes Culebro	5533-0040	mcervantes@goodrichriquelme.com
Francisco L. Gómez Víquez	5525-6369	fgomez@goodrichriquelme.com
Ana Ruth Herrera Gómez	5533-0040	arherrera@goodrichriquelme.com
Paulina Mariana Hernández Tejeda	5533-0040	fiscal2@goodrichriquelme.com
Gabriela Ayram Fuentes Gil	5533-0040	fiscal3@goodrichriquelme.com
Edgar Leonardo Espejel Muciño	5533-0040	fiscal4@goodrichriquelme.com
Mauricio Jaramillo Reyes	5533-0040	fiscal5@goodrichriquelme.com

GOODRICH, RIQUELME Y ASOCIADOS

Paseo de la Reforma 265

Col. Cuauhtemoc

México 06500 D.F.

Tel: (52 55) 5533-0040 – 45

Fax: (52 55) 5525-1227

mailcentral@goodrichriquelme.com

www.goodrichriquelme.com