



DOING BUSINESS *IN MEXICO*

2020

VTZ

VAZQUEZ TERCERO & ZEPEDA
ABOGADOS



POLICY FOR THE MANUFACTURING INDUSTRY INTRODUCTION

As a result of Mexico's Trade and Investment Promotion Agency -PROMEXICO– extinguishment, **Vázquez Tercero & Zepeda (VTZ)** seeks to fill that void and promote Mexico as a business destination.

This is why **VTZ** has developed the guide **Doing Business in Mexico 2020**, which is divided into the following seven chapters:

1. *Why Invest in Mexico?*
2. *Foreign Investment.*
3. *International Trade Policy.*
4. *Policy for the Manufacturing Industry.*
5. *Creating a Company in Mexico.*
6. *Taxation.*
7. *Labor & Migration.*

In line with our values, our chapters seek to provide relevant business and legal information in an honest, practical, and concise manner. This chapter, *Policy for the Manufacturing Industry in Mexico*, **Mariana Malváez** and **Alejandro Martínez** will provide a general overview of the programs that promote the Mexican manufacturing industry, including the requirements and benefits to obtain various programs.

Emilio Arteaga Vázquez, Jr. Partner.
emilio@vtz.mx

POLICY FOR THE MANUFACTURING INDUSTRY IN MEXICO

Questions? Contact us:
info@vtz.mx

4. MEXICAN POLICY FOR THE MANUFACTURING INDUSTRY	1
4.1. IMMEX Program	1
4.1.1 IMMEX Options	2
4.1.2 IMMEX Benefits	3
4.1.3 IMMEX Obligations	4
4.1.4 Grounds for suspension and/or cancellation of the IMMEX Program	4
4.1.5 Tax Aspects: Income Tax (ISR) and Value Added Tax (VAT)	5
4.1.6 Corporate Matters	5
4.1.7 International Trade Matters	7
4.2 Comprehensive Certification Company Scheme	7
4.2.1 VAT/IEPS Certification	7
4.2.2 General Requirements to Obtain VAT/IEPS Certification	8
4.2.3 VAT/IEPS Certification Benefits and Requirements	10
4.2.4 Authorized Economic Operator Certification	13
4.2.5 Authorized Economic Operator Requirements in Mexico	14
4.2.6 Benefits of Authorized Economic Operator	14
4.3 Sector Promotion Program (PROSEC) and Eight Rule	15



4. Mexican Policy for the Manufacturing Industry

The export manufacturing industry represents one of the most important pillars of Mexico's economy. Once characterized for being in the northern border, the manufacturing industry has spread and established itself as well in the center of the country. As noted in [Chapter 2 - Foreign Investment](#), about half of foreign investment inflows are destined for the manufacturing sector.

Within the manufacturing industry, the automotive sector is the most economically important, followed by the food, chemical, and basic metal sectors. The success of the automotive industry is largely explained by the integration of supply chains that began with the entry into force of the North American Free Trade Agreement (NAFTA). As noted in [Why Investing in Mexico?](#) Mexican manufacturing exports have left behind agricultural, extractive, and oil exports, which for many years were the most important in the Mexican economy.

During the economic crisis due to the COVID-19 pandemic, Mexico is committed to the opportunities offered by the USMCA so that the maquiladora industry can innovate and add more added value to manufactured goods.

As explained in the following lines, Mexico has created different international trade promotion policies specifically designed for the manufacturing industry. These policies aim to facilitate international trade operations, create economic incentives, and provide legal security for export manufacturing companies. At the same time, international trade promotion policies have contributed significantly and positively to the Mexican economy, attracting foreign investment, creating industrial clusters, and jobs.

4.1. IMMEX Program

The IMMEX Decree is a [duty-deferral government program](#) that provides benefits to authorized companies that engage in the manufacturing or *maquila* operation scheme in Mexico, including import-export. In essence, the IMMEX Program grants administrative facilitation measures and tariff incentives to manufacturers, and foreign-owned companies may also access income tax incentives. The companies must be "residents" in Mexico to access the IMMEX Program by the provisions of the Federal Tax Code and the Income Tax Law.

Notably, IMMEX companies are authorized to introduce goods under the temporary importation customs regime, deferring (avoiding) the payment of import duties or the General Import Tax (known as IGI in Spanish acronym), and where appropriate, antidumping and countervailing duties. The purpose of these benefits is to create an attractive regulatory framework for the export-oriented manufacturing industry; in other words, IMMEX companies can carry out manufacturing activities with temporarily imported goods in a low tax or tariff environment, *but upon the condition that the imported goods are exported after submitted to production or some service.*

POLICY FOR THE MANUFACTURING INDUSTRY IN MEXICO

Questions? Contact us:
info@vtz.mx

Many foreign investors benefit from the IMMEX Program because it allows, for instance, to manufacture or repair products in Mexico preserving the company’s cash-flow and using excellent and low-cost labor.

The Ministry of Economy and the Ministry of Treasury have joint responsibility for issuing the IMMEX authorization. However, the Ministry of Economy is the authority in charge of issuing the IMMEX authorization or certificate to a company (hereon referred to as “**IMMEX company**”), while the Ministry of Treasury has to approve the company prior said authorization is issued. Besides, an IMMEX company may access extra tax benefits such as the VAT/IEPS Certification issued by the Mexican IRS (known as SAT, in Spanish). For more information on the VAT/IEPS Certification, see [Section 4.2.1](#).

4.1.1 IMMEX Options

Depending on the planned operations or activity, a company may apply for the following five IMMEX options:

IMMEX Industrial	The Industrial IMMEX is <i>the most common type</i> of IMMEX option, and it is granted to a company that uses imported materials and carries out an industrial manufacturing process or transforms goods for export.
IMMEX Holding Company	This modality is like the industrial modality, but it is for an industrial group that carries out the industrial process. The IMMEX program is granted to a certified company, called the “holding company”, and one or more companies that are integrated into the manufacturing operation and controlled by the holding company.
IMMEX Services	This modality is for a company that performs services for the process of producing goods for export or carries out export services.
IMMEX Accommodation (or Shelter)	This modality is for Mexican firms that offer maquila (or tolling) services to foreign companies, while the foreign companies will provide the technology and inputs without operating its own IMMEX company. In other words, the IMMEX Shelter company will import the technology, raw materials, and components supplied by the foreign company and will carry out the industrial activities according to a contract; the finished or semi-processed products are exported to the foreign company.
IMMEX Tertiary	This modality consists of a certified IMMEX company, that due to lack of appropriate infrastructure, carries out a manufacturing process through <i>third parties</i> registered under its IMMEX Program.

POLICY FOR THE MANUFACTURING INDUSTRY IN MEXICO

Questions? Contact us:
info@vtz.mx

Thank you for your interest in our guide and visiting our website!

To continue reading our **Policy for the Manufacturing Industry in Mexico** Guide, please fill out our form or contact us at info@vtz.mx.

Download our other chapters:

1. WHY INVEST IN MEXICO?

AUTHOR: EMILIO ARTEAGA

Contributors: Dora Luz

2. FOREIGN INVESTMENT.

AUTHOR: EMILIO ARTEAGA

Contributors: Dora Luz

3. INTERNATIONAL TRADE & CUSTOMS POLICY.

AUTHOR: EMILIO ARTEAGA

Contributors: Dora Luz, Mariana Rivera, Adrián Vázquez, Verónica Vázquez, and Mariana Malvárez.

4. POLICY FOR THE MANUFACTURING INDUSTRY.

AUTHORS: MARIANA MALVÁEZ AND ALEJANDRO MARTÍNEZ

Contributors: Dora Luz and Mariana Rivera

5. CREATING A COMPANY IN MEXICO.

AUTHOR: EMILIO ARTEAGA

Contributors: Dora Luz, Juan Pablo García, Irela López, and Mariana Rivera

6. TAXATION

AUTHOR: JORGE MONTES

Contributors: Dora Luz and Mariana Rivera

7. LABOR & MIGRATION.

Author: Rafael Alday

Contributors: Dora Luz, Emilio Arteaga, and Mariana Rivera

Need More Information? Contact us.

info@vtz.mx