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Mexico
BITAR, MARCÍN & ASOCIADOS, S.C.

BITAR MARCÍN & ASOCIADOS, S.C.
ABOGADOS

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BITAR, MARCÍN & ASOCIADOS, S.C.

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BITAR, MARCÍN & ASOCIADOS, S.C., is a law firm, comprising specialized attorneys in the different law areas, including Civil law, Mercantile law, Civil and Mercantile Procedural law, Commercial Arbitration, Economic Capacity, Amparo, Banking, Stock Market and Finances, Administrative law, Corporate law, Industrial Property and copyright, and Immigration law.

Our law firm keeps continuously improving the different areas of law offered, according to our clients' needs, with the purpose of rendering an efficient and suitable service which allows us to earn the confidence and deliver the excellence required by our clients.

Offices, delegates, and international association

This law firm has offices at México City , and delegates at Guadalajara and Monterrey.

Our law firm is a member of the international alliance of law firms called **e-iure** , by which we are capable of solving the legal needs of our clients in the European and American Continents, guaranteeing the quality in the our services, efficiency and professional ethics.

Corporate Law

Our services in this area include the constitution, management, and legal audit of all kinds of associations; construction and participation in all kinds of assemblies of shareholders and sessions of the board of directors; all matters related to mergers, splits, liquidations, acquisitions, and alienation of property, all kinds of projects of coinvestments (joint ventures), etc.

We keep a permanent register and control of all the obligations, registers, authorizations and updates needed for your activities and dealings.

The corporate services include the legal advice in fiscal matters, that is all the taxes applicable to the activities and projects of our clients, and, where appropriate, all those contained in the international treaties to which our country is party, to avoid double taxation and to prevent fiscal evasion.

Our services in corporate matters also include the revision and expansion of all kinds of contracts, settlements and trusts relating to the construction, finance, acquisition, leasing, distribution, coinvestments, and delivery of services.

Foreign Investments

As an answer to the increasing globalization and participation of foreign investment in the different sectors of our economy and the free trade agreements to which our country is a party, our services include legal advice in respect of projects and issues linked to foreign investment, as well as the preparation, presentation, and obtaining of all authorizations, proceedings and warnings from the Administrative office of Foreign Investment and/or the National Register of Foreign Investments.

Licensing And Contracts With The Public Sector

The acquisition of assets and services rendered by the departments and entities of the public sector constitutes one of the most regulated areas in our law, and we have significant experience and practice in legal advice of all kind of procedures referred to public licensing, limited invitation, and direct assign-

ment of contracts on behalf of the public sector, from the revision of the call for bids and basis, the elaboration of the proposal and the documents included in the basis to the adjudication and formalization of the contracts, including their legal and fiscal implications.

Our services in this area include the legal advice and representation of our clients in all kind of motions, administrative procedures, and defense media including the Amparo.

Economic Capacity

As an answer to the increasing globalization and integration of several economic and commercial activities, the members of this law firm have an active participation in the evolution and application of the antimonopolistic dispositions set by the Federal Commission of Jurisdictional Capacity, which allow us to advice and represent our clients in all kind of research, accusations, authorizations and consolidations (mergers and acquisitions).

Real Estate

Our law firm has ample experience in all dealings related to acquisitions, alienations, leases, and trusts of real assets, including their development, considering those located in the borders and on the coast (restricted area).

This law firm has acted in several transactions relating to the acquisition of real estate, and we therefore have attorneys specialized in the procedures of legal audit and transactions with regard to them.

Civil And Mercantile Litigation

Litigation is a very important area in **Bitar, Marcín & Asociados , S.C.** , because we are conscious that our clients are placing their confidence in us when they instruct us in their matters. That is why we have the most advanced systems in order to keep a strict and efficient control of the trials in our charge; which enables us to deliver a better service.

In this area, we offer legal advice, audit and sponsorship in all matters including civil, mercantile, bankruptcy, lease, administrative trials and amparo.

The work of this office is mainly focused towards the prosecution of ordinary, executive, special mortgage and mercantile bankruptcy judgments, pursuing whichever of those is necessary to safeguard the interests of our clients.

Banking And Financial Area

Our banking and financial services advises and represents credit institutions, finance societies of limited object, financial lessees, factoring companies, houses of stock market, general warehouses of deposit, houses of exchange, guarantors and in general, all kind of auxiliary credit institutions and organizations, in all aspects of their operation.

Arbitration

Arbitration is becoming more and more important and prominent these days, not only in international matters, but also at national and local level.

The importance of arbitration is increasing everyday, and the members of this law firm have ample

experience in this subject, acting either as arbitrators or representing one of the parties in the arbitration procedure.

Administrative Litigation

However, we also act for clients in administrative trials and proceedings, at local or federal level, as well as in the pursuit of pre-trial settlements and arbitration procedures, before the Administrative Contentious Court of the Distrito Federal, Administrative and Fiscal Federal Court of Justice, National Commission for the Defense of Users of Financial Services, Federal Law Office of the Consumer, Federal Law office of Environment's Protection, amongst others.

Industrial Property And Copyright

Trademarks, copyright and some other symbols and information are one of the most important matters for several enterprises. This firm has developed the area of industrial property and copyright, by which we render services that include the registration, protection and defence of all kind of brands, commercial names, industrial designs, patents, utility models and copyrights.

Our services in this area also include the development, dealing and elaboration of franchise agreements.

The services we render for the defence and protection of the different rights in industrial property and copyright, include legal advice and representation in all kind of litigation and other proceedings against third parties, or legally qualified authorities, including amparo.

Professional Body Registration

The members of this law firm, are registered to the Mexican Association of Lawyers, Lawyers' College, as well as the International Attorney's Union (U.I.A.)

These associations of lawyers are institutions of most representative professional bodies of lawyers and are nationally and internationally recognized.



Employment contracts

CLASSES

Individual and Collective Agreements

COST OF DISMISSAL AND WRONGFUL DISMISSAL

If the labour relationship is for a fixed period of less than a year: The amount of the wages of half of the time worked.

If the labour relationship is for a fixed period of more than a year: Six months of wages for the first year and twenty days for each of the following years.

If the labour relationship is not for a fixed period: Twenty days of salary per each year of work

In any case, three months of salary and the expired wages starting from the date of dismissal

EMPLOYMENT CONTRACTS FOR DIRECTORS; AN ESPECIAL REGIME

In Mexico , these workers are named "Trust employees"

Those are ruled by Title Six "Special Works" Chapter Two, of the Ley Federal del Trabajo (Federal Labour Law)

Conditions: They are set up depending on the nature and relevance of the service they render.

Employees' representatives and union representation

BRIEF IDEA OF THE INFLUENCE OF THESE GROUPS IN LABOUR CONTRACTS

The law recognizes the right of coalition of workers and employers, therefore Labor Unions are essential when talking about collective bargaining agreements.

Wages and other types of compensation

CLASSES OF WAGES

Minimum Salary: Set by the law after taking into account the cost of living

Remunerated Salary: More than minimum salary, according to the quality and quantity of the work

Beaten salary: The one that should be paid since the date of dismissal.

MINIMUM SALARY IN 2006

\$50.57 (FIFTY PESOS, 57/100, LEGAL TENDER IN MEXICO), daily.

COST OF OVERTIME HOURS

By paying the same amount per hour in a working day, with a limit of three extra hours per day and nine extra hours per week.

The extent of nine extra hours per week, will give the result of 200% of the amount paid per hour.

Employment regulations

Conditions cannot be under what is detailed by law, they should be in proportion to the importance of the services rendered, and equal for equal jobs, they cannot be different because of nationality, sex, age, politics, race, etc.

Working day: The time in which the worker is available to the employer.

Day: Eight hours from 6 to 20 hrs.

Night: Seven hours from 20 to 6 hrs.

Mix: Seven and half hours in periods in both of them

During the working day, there should be a working break of at least half an hour.

For six days of work the worker will have at least one day of rest.

Obligatory days of rest: January 1st, the first Monday of February, the third Monday of March, May 1st, September 16, the third Monday of November, December 1st just in Presidential Elections year, December 25th.

Vacations: The workers with more than one years service, will have 6 days of vacations. This period will increase two days per following year until fourteen days of vacations, and then after the fourth year it will increase two additional days for each period of five years of services.

Social security

CONTRIBUTIONS FORMS

They are the shares given by the workers and bosses

IMSS (Mexican Institute of Social Security) set the shares each year for both of them

The payment of shares is done by the SUA (Unique System for Own-Determination)

SOCIAL SECURITY COST FOR THE COMPANY

Approximately 32.45%

SOCIAL SECURITY COST FOR THE WORKERS

Approximately 3.415%

OVERTIME: CONTRIBUTION TO THE SOCIAL SECURITY FOR THIS AND OTHER

Burden: Set monthly by SHCP (Tax Department in México) for instance in 2004 the percentage was 1.3

Updates: Set by Banco de México (Mexican Official Bank) based on the INPC (National Prices for Consumers)



Our most important laws are the following:

- ▶ Código Fiscal de la Federación
- ▶ Ley del Impuesto sobre la Renta
- ▶ Ley del Impuesto al Valor Agregado
- ▶ Ley del Impuesto al Activo
- ▶ Ley del Seguro Social
- ▶ Ley de Ingresos de la Federación
- ▶ Ley de Impuesto Especial sobre Producción y Servicios
- ▶ Ley de Impuesto sobre Tenencia o Uso de Vehículos
- ▶ Ley del Servicio de Administración Tributaria
- ▶ Ley de Coordinación Fiscal
- ▶ Ley Federal de Derechos

Taxes On Corporate Income

The Mexican Income Tax Law changed in January, 2002, and in 2005, to reduce the corporate rate, the reduction per year is progressive as it is shown in the following table of contents:

YEAR	RATE
2005	30%
2006	29%
2007	28%

Chapter Seven of the Income Tax Law established a Simplified System for legal entities whose main activity is load or passenger transportation, and those who deal exclusively with cattle, agricultural, fishing or forestry activities.

Corporate Residence

According with the Mexican Law, all legal entities are bound to pay Income Tax in the following circumstances:

According to Income Tax Law:

Mexican residents : In respect of all their income, no matter the source.

Residents in foreign country with permanent establishment in México : In respect of the income coming from the permanent establishment.

Residents in foreign country : In respect of the income coming from sources inside the national territory, when there is not permanent establishment in the country, or if there is, that income does not come from it.

Other Taxes

VAT (Value Added Tax)- The general rate is 15%; it is applicable to the following activities:

- ▶ People who transfer assets
- ▶ People who render independent services
- ▶ People who grant the provisional use and enjoyment of assets
- ▶ People who import assets or services

10% Rate for the activities realized in border zone.

Value Added Tax would only be accredited for the purposes of tax determination, for tax that had been expended on the acquisition of assets or services.

The exemptions for Value Added Tax for transferring are: soil; constructions over the soil; books, newspapers and magazines, as well as the right to exploit the work; bills of lottery; legal tender; social shares, and gold bars.

The exemptions for Value Added Tax are: Commissions and payments of mortgage credits; free services; educational services; public transportation; agricultural insurances, maritime international transportation of assets, among others.

TT (TRANSFER TAX)

The rate depend on each of the 32 states in México, therefore this is a state tax, and it is payable by the person who acquires a real estate at the date of the transfer.

IMPAC (IMPUESTO AL ACTIVO)

The general rate is 1.25% and it is applicable over the value of the asset during the fiscal exercise, the value is obtained by adding the average of the following assets:

- ▶ Financial assets, and proved acquisition value
- ▶ Expenses
- ▶ Differed charges
- ▶ Fixed assets

IEPS (IMPUESTO ESPECIAL SOBRE PRODUCCIÓN Y SERVICIOS)

It is applicable for the following cases: Alienation in the national territory, definitive importation of assets or the rendering of services, take place as it is shown in the following table of contents:

Assets	Rate
Beer and alcoholic beverages	25%
Alcohol	50%
Soft drinks made with sweeteners other than sugar cane	20%
Syrups	20%
Tobacco	140% (2007) 150% (2008) 150% (2009)
Gas	The rate will be established monthly
Diesel	The rate will be established monthly

PROPERTY TAX

This is a state tax and the rate depends on each of the 32 states in Mexico .

Branch Income

The taxes generated in the branch offices are added to the whole for the purpose of tax determination.

Income determination

It is obtained by the following operation

Acumulative Incomes (Art. 17 Income Tax Law)	-	Deductions (Art. 29 Income Tax Law)	=	INCOME DETERMINATION
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Inventory valuation

Before 2005, the inventory cost was deductible at the date of purchase, but the system has now changed and it is charged when the taxpayer sell it.

Stock dividends

When the dividends come from the CUFIN (Coefficient of net fiscal profit), no tax is payable, but if they do not come from the CUFIN, they do generate Income Tax, the amount of the tax being calculated by multiplying the dividend with the factor (1.4286 in 2005 or by 1.38 to 2006), and the result with the income tax rate.

Deductions

According to article 29 of the Income Tax Law, the authorized deductions are:

- ▶ Returns, discounts and allowances
- ▶ Acquisition of merchandise
- ▶ Expenses
- ▶ Inversion
- ▶ Irrecoverable credits and losses
- ▶ Creation of reserves for pensions and retirements
- ▶ IMSS shares
- ▶ Accrued interests
- ▶ Annual adjust for inflation
- ▶ Deduction of the advance payment for acquisitions or expenses
- ▶ Advance payment

DEPRECIATION FOR ACTIVITY

According with article 40 of the Income Tax Law, the authorized maximums of fixed assets are:

Fixed Assets	Rate
Constructions	10% or 5%
Railway	From 3% to 10%
Furniture	6%
Ships	10%
Airplanes	25% or 10%
Automobile	25%
Computers	30%
Telephone communications	From 5% to 10%
Machinery for generation of energy from special sources	100%
Satellite communications	8% or 10%

Operation losses

The result obtained of the loss will be added to the PTU (Participation of the employees in the profit of the Companies), this loss could be amortized within the following 10 tax periods until it is finished, this fiscal loss should be updated by multiplying it with the updating factor.

Limitations for deductions

Mainly, the ones resulting from mergers or clearances, in which the taxpayer is a shareholder, and when talking about mergers, the merger company should only reduce the fiscal loss pending in the term of the merger; with charge on the fiscal profit related to the exploiting of the same trends in which the loss was produced.

Group Taxation

Social Security Contributions

IMSS (Mexican Institute of Social Security). INFONAVIT (National institute for the housing of the employees), SAR (System for the retirement of the employees).

Improvements Contributions

These are the contributions established by law charged against the natural persons and legal entities who benefit directly from the public works.

Rights

These are the contributions established by law for the use or enjoy of the public assets of the Nation, as well as for receiving the services rendered by the State in its function of public law.

Exploitation

These are the income that the State receives for public law functions, different from the taxes, financial incomes and decentralized organizations and enterprises of state participation.

Products

These are the payments for the services rendered by the State in its functions of private law, as well as for the use and enjoy or lien of the public assets.

Accessories

These are the burdens, sanctions, execution expenses, and indemnifications.

Tax Incentives

- ▶ Natural persons for retirement savings at the credit institutions: They can reduce the amount of the deposits to the tax base.
- ▶ For the investigation projects and technological development: 30% of the expenses and inversions
- ▶ For the companies who hire people with disabilities: 20% on the salaries
- ▶ For the trusts whose only activity is the construction or acquisition of real estate
- ▶ For the natural persons or legal entities inverting in projects of film productions.

Withholding Taxes

In México withholding is only required in the cases of Income Tax and Value Added Tax.

Tax Administration

The date of payment of the most important taxes in México, mentioned before, is the 17th of each month and the department in charge of collecting the Federal contributions for the development of public services is the SAT (Servicio de Administración Tributaria).

Individual Taxes

Residence

The natural persons resident in México, who receive income, and also the persons who live in a foreign country and realize commercial activities or render independent personal services in Mexico, with a permanent establishment, are obliged to pay income tax.

The natural persons who live in Mexico are obliged to disclose, in the tax return, prizes, loans, or donations of more than \$1'000,000.00

Gross Income

According to article 110 of the Incomes Tax Law, the incomes are the following:

- ▶ Salaries
- ▶ Advance payment
- ▶ Fees of advisers and commissioners
- ▶ Payments to public employees
- ▶ Fees charged to natural persons and legal entities with commercial activities

Deductions

According with article 123 of the Income Tax Law, the authorized deductions for natural persons are:

- ▶ Returns, discounts and allowances
- ▶ Acquisition of merchandise
- ▶ Expenses
- ▶ Inversion
- ▶ IMSS shares





Registration with the Government, authorities and permits

Authorities

- ▶ Comisión Nacional de Inversiones Extranjeras
- ▶ Registro Nacional de Inversiones Extranjeras
- ▶ Secretaría de Comercio y Fomento Industrial
- ▶ Dirección General de inversiones extranjeras

Participation Of Foreign Investments

The foreign investments can participate in any proportion in the capital stock of the Mexican Companies, acquiring assets or in any other way, participate in the economy, with the limits in the activities reserved to the State, and the activities reserved to Mexican natural persons and societies, such as transportation of passengers, tourism and load, trade of gas, services of radio and television different from cable television, credit unions, development bank, and the render of professional and technical services, which are set by the Law.

For the activities mentioned as follows foreign investment can participate in the following percentages:

1.- Up to 25%:

- ▶ National air transportation
- ▶ Air-Taxi Transportation
- ▶ Specialized air transportation

2.- Up to 49%:

- ▶ Insurance institutions
- ▶ Surety institutions
- ▶ Exchange houses
- ▶ General deposit warehouse
- ▶ Financial lessor
- ▶ Financial Enterprises
- ▶ Limited object financial societies
- ▶ Corporations and civil societies
- ▶ Resources manager
- ▶ Elaboration and dealing with explosives, guns, munitions and fireworks, excepting the acquisition and usage of explosives for industrial activities

- ▶ Publication of newspapers for exclusive circulation inside the country.
- ▶ Share Type "T" of societies which have cattle, agricultural or forest land
- ▶ Fishing in sweet water, coastal and in the exclusive economic zone
- ▶ Port management
- ▶ Port services for sailing boats otherwise than for tourist activities
- ▶ Supply of gas and lubricants for aircrafts and railway equipment

Consent is required from the National Commission of Foreign Investments to invest more than 49% in the economic activities and societies which are mentioned as follows:

- ▶ Port services for sailing boats otherwise than for tourist activities
- ▶ Maritime societies relating to the use of boats and crafts
- ▶ License holder societies of public service aerodrome
- ▶ Private services for the primary and elementary education, high and junior-high education
- ▶ Legal services
- ▶ Credit information societies
- ▶ Value Institutions
- ▶ Insurance agents
- ▶ Cellular telephones
- ▶ Oil transportation
- ▶ Construction, operation, and exploitation of railways

Transfer Of Dividends, Interests And Royalties Abroad

There is only one duty which is to give a notice thirty days after the transference is done.

Foreigners Exclusion Clause

In the event that company by-laws do not contain the foreigner exclusion clause, an express agreement or pact must be entered into which shall form an integral part of the by-laws, whereby the present or future foreign equity holders obligate themselves, before the Ministry of Foreign Affairs, to be considered as nationals with respect to:

- ▶ The shares, equity participations or rights acquired from said companies;
- ▶ The assets, rights, concessions, participations or interests that said companies may hold, and
- ▶ The rights and obligations derived from the contracts to which said companies may be a party.

The said agreement or pact must include the waiver of protection of their governments under penalty of otherwise losing their rights and assets they acquired in favor of the Nation.

The notice of change of the foreigners exclusion clause to the one of admission to which the second paragraph of article 16 of the Law refers, must be accompanied by a copy of the public instrument which contains the by-law amendment and which includes the agreement to which article 14 of these Regulations refers. The company involved must state in said notice if it is the owner of real estate in the restricted zone and the use for which they are intended.

Records

The recordings, renewals of registration records, cancellations of registration records and notations on the Registry, shall be carried out provided that:

- ▶ The provisions are observed and, if applicable, the corresponding authorizations and permits are obtained;
- ▶ The filing with the Registry of the notices or reports provided in these Regulations have not been omitted;
- ▶ They are presented in the formats complete and with all due requirements, as well as with the evidentiary documentation which, as the case may be, supports the applications and the notices that must be made to the Registry;
- ▶ The payment of the duties provided in the Federal Duties Law is previously proven, and
- ▶ The payment of the penalty which, if applicable, may have been determined in accordance with article 38 of the Law is previously proven.

General Notes

In México there are three classes of real estate property: Private property, social property and public property

Foreigners or legal entities, in order to acquire real estate, must follow the requirements of article 27 of the Mexican Constitution.

Land Register

In México the system of real estate register works with a State Public Registry for each one of the 32 States of the Federation, and those Registers only inscribed public deeds.

Transfer Formalities

When the transfer relates to real estate, the parties must formalize the transaction before a Notary Public and the public deed has to be inscribed at the correspondent Public Registry.

In case of lease, the agreement has to be formalized by writing, the parties can ratify their signatures before a Notary Public and also inscribed before the Public Registry when the duration of the agreement is for more than six years.

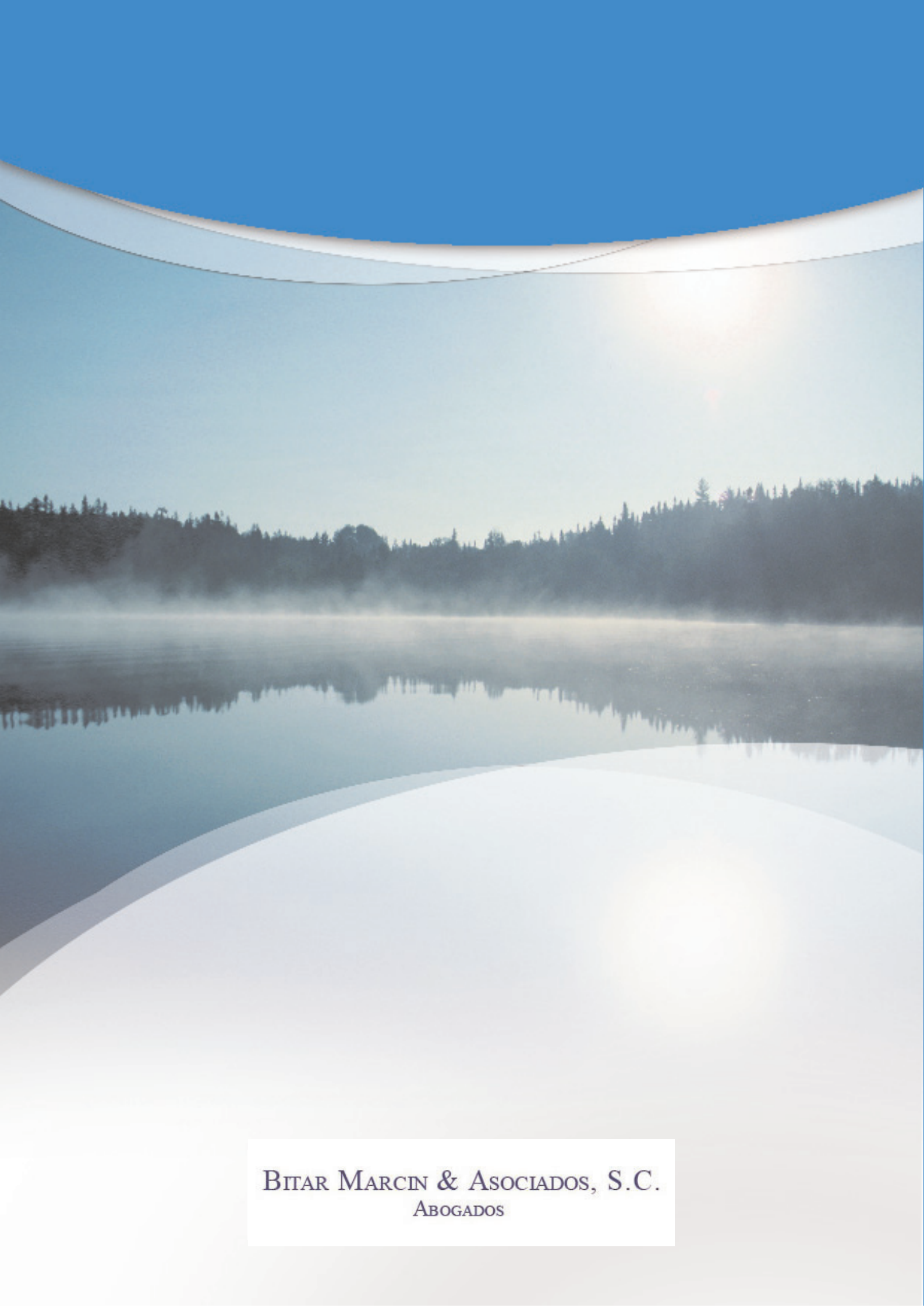
Mortgage

It is a real guarantee constituted by assets that are not given to the mortgagee.

The mortgage only can be constituted on specified assets, and it extends to the following:

- ▶ The right of the owner of a property to everything produced thereby or incorporated therewith, naturally.
- ▶ The improvements done by the owner of the assets
- ▶ The objects of movable property permanently incorporated by the owner and that cannot be separated without damage or detriment.
- ▶ The new buildings constructed by the owner over the land in mortgage, or new floors over the building in mortgage.





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