

the settlement company®

info@settlement-co.com
www.settlement-co.com

MAKING LIFE SIMPLER!

Mexican newspapers are full of headlines about the growing problem of foreigners who are renting their homes or condominiums and failing to pay Mexican taxes. Not only is this a violation of the terms of most bank trusts (*fideicomisos*), but also it is a violation of Mexican tax law and reprisals are severe.

FOREIGNERS ARE OBLIGATED TO PAY TAXES ON INCOME GENERATED IN MEXICO. Mexico's tax law is patterned after those of the United States and Canada (world rental system) which states in the First Article::

Article One: Physical persons (individuals) and legal persons (companies) are obligated to pay an income tax in the following cases:

- I Residents of Mexico, must report and pay on all income no matter where the source is located;*
- II. Those with residence in a foreign country with a permanent establishment in Mexico must report and pay on all income generated from the permanent establishment in Mexico.*
- III. Those with residence in a foreign country, must report and pay on the income produced by property located in the national territory, **when there is no permanent establishment in the country or, even if there is, but not covered by the situations outlined in I and II above..***

If you own a property in Mexico and rent it often or only occasionally, if you are a **NON-RESIDENT** of Mexico, **ENJOY** your rental income and ***SLEEP EASILY KNOWING YOU HAVE COMPLIED WITH TAX LAWS!***

The Settlement Company® with many years of experience in the transfer of titles and resolution of problems related to title, is able to assist you in receiving your funds in an escrow account, complying with your fiscal obligations in Mexico, providing you with the accounting and the documents you require in your country of residence to avoid double taxation!

TO BEGIN, if you are a non-resident of Mexico, WE WILL NEED THE FOLLOWING:

1. Appointment of Consultores Phoenix, S.C. (The Settlement Company®) as your legal representative for the payment of taxes. We will prepare this document for you, in English and in Spanish. This must be signed before a Notary Public and an Apostille obtained or the document legalized before the Mexican consulate.
2. Escrow and Settlement Instructions authorizing The Settlement Company® to collect and pay out taxes on rental income on your behalf, delivering audited statements and

receipts to you. This document is also prepared by us and will need to be initialed on each page and signed on the last page.

Also required:

3. An original of your latest property tax receipt, including property tax number.
4. A copy of the deed to your property.
5. A copy of your passport.
- 6.. The information sheet and authorization, attached.

IF YOU ARE A RESIDENT OF MEXICO, with a RESIDENT DOCUMENT:

We require a certified copy of your immigration document and items one through six above.

GENERAL:

Upon receipt of your information, and your set up fee and payment for the first quarter, we prepare your documents. Once executed and returned to us, we establish your individual custodial account and are able to receive and pay out funds.

FEES: AN OVERVIEW

THE FOLLOWING SERVICES ARE INCLUDED IN THE QUARTERLY PAYMENT:

PREPARE quarterly declarations and file taxes for the following:

- ISR Income Tax Retention
- IVA Added Value Tax

Initial Set Up fee: \$ 250.00 USD plus IVA 16% = 290.00 USD

QUARTERLY FEE \$290.00, incl. IVA payable January 1, April 1, July 1 and September 1 each year

Contract for two years, automatically renewable unless cancelled in writing with notification to the other party at least ninety days prior to expiration.

OTHER FEES:

WIRE TRANSFER FEES, as applicable \$ 20.00 USD incoming domestic transfer
\$50.00 USD outgoing domestic transfer
\$ 75.00 USD international outgoing transfer

COURIER SERVICE: \$ 50.00 per international shipment
\$ 50.00 per domestic shipment

REPORTS WILL BE SENT PER THE FOLLOWING:

FIRST QUARTER: (<i>january, february march</i>)	MAY 15
SECOND QUARTER: (<i>april, may, june</i>)	AUGUST 15
THIRD QUARTER: (<i>july, august, September</i>)	NOVEMBER 15

FOURTH QUARTER: (October, November, Dec)

FEBRUARY 15

*The purpose of these quarterly reports will be for you to gauge the amount of credit you have in your account for payment of both the taxes and fees incurred. **An annual statement will be sent, not later than February 15 of the following year which will include receipts for tax payments made and for fees paid** so that they can be used on your tax declarations in your home country.*

We hope to be able to serve you in the payment of your taxes. The next step is to complete the attached form, providing us with the information for the parties on your title. Upon receipt of same, we will prepare and send your documents for execution.

Please contact us if you have concerns or questions. We look forward to having the opportunity to serve you!

Sincerely,

Linda Neil

Program Director

The Settlement Company®