

# the settlement company®

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## ***MAKING LIFE SIMPLER FOR THE OCCASIONAL RENTER!***

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!

***NOW! NEW! You are able to take advantage of holiday season and occasional vacation rentals. If you rent only occasionally you may qualify for under the "occasional rental" program which permits us to file your declaration ONLY when you sent us your report of income. Details below.***

**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.

**GENERAL:**

Upon receipt of your information, and your set up fee 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.

Once established, we will prepare your declaration ONLY when you have income to report, and will send you an annual report together with receipts for taxes paid and fees paid on or before February 15 of the year following your enrollment in the program.

**FEES: AN OVERVIEW**

**THE FOLLOWING SERVICES ARE INCLUDED IN THE MONTHLY FILING CHARGE:**

PREPARE the declarations and file taxes for the following:

ISR Income Tax 25% of Gross Income

IVA Added Value Tax, charged to tenant, retained by property owner. 16%

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

**FILING FEE FOR EACH MONTH INCOME IS DECLARED: \$150.00 incl. IVA payable when income is declared.**

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

***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®**