



Setting up business in

MEXICO



2026

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General Aspects

In Mexico there are different ways to legally establish an office to do business in the country, some of them do not require the formation of a corporation or partnership to operate; however, this is a mandatory requirement in some cases. Any commercial corporation matters are regulated by federal laws, and in the case of the civil partnerships these are regulated by the civil code of each state of the country. The following presentation is a general summary of almost all the possible legal entities to do business in Mexico, with the requirements and formalities that must be fulfilled.

Legal Forms of Business Entities

Legal form	Feature	Requirements	Remarks
Commercial Entities			
Corporation (Sociedad Anónima – S.A.)	Exists under a corporate name and is composed exclusively of shareholders whose liability is limited to the payment of their shares. The corporate name is freely chosen, followed by “Sociedad Anónima” or “S.A.”. Shareholders may be individuals, civil companies, commercial companies, or any combination thereof, Mexican or foreign. A minimum of two shareholders is required. The highest authority is the Shareholders’ Meeting. Management is vested in a sole administrator or a Board of Directors. The company’s capital may be increased or reduced. Suitable for all types of businesses. Shareholders’ liability is limited to the amount of their contributions.	<ol style="list-style-type: none"> 1. Prepare the Ultimate Beneficial Owner (UBO) file prior to incorporation, with official apostilled documents, identifying the corporate structure and the individuals who benefit from or control the company’s business operations (see detailed UBO section). 2. Draft bylaws and formalize incorporation before a Notary Public (public deed). 3. Register with the Public Registry of Commerce. 4. Register with the National Registry of Foreign Investments, where applicable. 	Most common and versatile form for medium and large companies in Mexico. Governed by the General Law of Commercial Companies (LGSM).
Limited Liability Company (Sociedad de Responsabilidad Limitada – S. de R.L.)	Formed by partners who are only obliged to pay their contributions. Equity participations may not be represented by negotiable instruments and may only be assigned pursuant to legal requirements. It exists under a corporate or trade name, followed by “Sociedad de Responsabilidad Limitada” or “S. de R.L.”. Inclusion of a non-partner’s name in the trade name entails liability for the highest contribution. Partners may be individuals, civil or commercial entities, or any combination thereof, Mexican or foreign. Requires a minimum of two and a maximum of fifty partners. No minimum or maximum capital required. Managed by a manager or a board of managers. Capital may be increased or reduced. Suitable for all types of businesses. Partners’ liability is limited to their contributions.	<ol style="list-style-type: none"> 1. Prepare the UBO file prior to incorporation (see detailed UBO section). 2. Draft bylaws and formalize incorporation before a Notary Public (public deed). 3. Register with the Public Registry of Commerce. 4. Register with the National Registry of Foreign Investments, where applicable. 	Suitable for family-owned or closely held companies. Governed by the LGSM.

Representative Office	Has no separate legal personality, generates no income and does not constitute a permanent establishment in Mexico. Activities are limited to display of goods, procurement of assets for the foreign resident, and advertising and promotion of products of foreign companies. No registration with the Public Registry of Commerce is required since it lacks legal personality.	<ol style="list-style-type: none"> 1. Shareholders' resolution of the foreign company authorizing the establishment of a Representative Office in Mexico. 2. Permit from the Mexican Ministry of Economy, obtained with: (a) Articles of incorporation or bylaws of the foreign company, duly apostilled or legalized; (b) Power of attorney of the foreign company's legal representative, duly apostilled or legalized; (c) Free-form written application; (d) Proof of payment of duties and fees. 	May not carry out direct profit-making commercial activities in Mexico.
Branch (Sucursal)	Has its own legal capacity (deriving from the foreign parent), generates income and may enter into commercial business and agreements in Mexico. Must file tax returns in accordance with Mexican tax laws.	<ol style="list-style-type: none"> 1. Shareholders' resolution of the foreign company authorizing the establishment of a branch in Mexico. 2. Incorporation before a Notary Public in Mexico. 3. Registration with the Public Registry of Commerce. 4. Prepare the UBO file (see detailed UBO section). 5. Permit from the Mexican Ministry of Economy, obtained with: (a) Articles of incorporation/bylaws of the foreign company, apostilled/legalized; (b) Power of attorney of the foreign company's legal representative, apostilled/legalized; (c) Free-form application; (d) Proof of payment of duties and fees. 	Allows a foreign company to operate directly in Mexico under the same corporate name, but with a local legal and tax domicile.

Other Forms of Commercial Companies

General Partnership (Sociedad en Nombre Colectivo - S.N.C.)	Exists under a trade name and all partners are subsidiarily, unlimitedly and jointly liable for corporate obligations. The trade name is formed with the name(s) of one or more partners, adding "& company" or similar if not all partners are listed. Inclusion of a non-partner's name entails unlimited joint liability. Suitable for all types of businesses. Partners' liability is subsidiary, unlimited and joint.	<ol style="list-style-type: none"> 1. Prepare the UBO file prior to incorporation (see detailed UBO section). 2. Draft bylaws and formalize incorporation before a Notary Public (public deed). 3. Registration with the Public Registry of Commerce. 4. Registration with the National Registry of Foreign Investments, where applicable. 	Governed by the LGSM. Rarely used in practice due to administrative/operational constraints and partners' unlimited liability.
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Limited Partnership (Sociedad en Comandita Simple - S. en C.)	<p>Formed by one or more general partners who are subsidiarily, unlimitedly and jointly liable for corporate obligations, and one or more limited partners who are only obliged to pay their contributions. The trade name is formed with the name(s) of one or more general partners, followed by "& company" or similar, and must include "Sociedad en Comandita" or "S. en C.". Inclusion of a limited partner's or a non-partner's name entails liability as a general partner. Suitable for all types of businesses. General partners' liability is subsidiary, unlimited and joint; limited partners' liability is limited to their contributions.</p>	<ol style="list-style-type: none"> 1. Prepare the UBO file prior to incorporation (see detailed UBO section). 2. Draft bylaws and formalize incorporation before a Notary Public (public deed). 3. Register with the Public Registry of Commerce. 4. Register with the National Registry of Foreign Investments, where applicable. 	<p>Governed by the LGSM. Rarely used in practice due to its limited and complex administrative/operational scheme.</p>
Partnership Limited by Shares (Sociedad en Comandita por Acciones - S. en C. por A.)	<p>Composed of one or more general partners who are subsidiarily, unlimitedly and jointly liable for obligations, and one or more shareholders who are only obliged to pay for their shares. It follows the rules of a corporation (S.A.). Share capital is divided into shares, whose transfer requires the consent of all general partners and two-thirds of the limited shareholders. May exist under a trade name or corporate name, adding "Sociedad en Comandita por Acciones" or "S. en C. por A." Suitable for all types of businesses. General partners' liability is subsidiary, unlimited and joint; limited shareholders' liability is limited to the amount of their shares.</p>	<ol style="list-style-type: none"> 1. Prepare the UBO file prior to incorporation (see detailed UBO section). 2. Draft bylaws and formalize incorporation before a Notary Public (public deed). 3. Register with the Public Registry of Commerce. 4. Register with the National Registry of Foreign Investments, where applicable. 	<p>Governed by the LGSM. Rarely used in practice due to a complex administrative/operational scheme.</p>
Simplified Stock Corporation (Sociedad por Acciones Simplificadas - S.A.S.)	<p>Created to foster economic development; allows a single shareholder. Annual income must not exceed MXN \$5,000,000. Shareholders' liability is limited to their contributions.</p>	<ol style="list-style-type: none"> 1. Prepare the UBO file (simplified due to a single shareholder but still required). 2. Bylaws and incorporation documents need not be formalized before a Notary Public; the entire process may be completed online. 3. Register with the Public Registry of Commerce. 	<p>Despite simple online incorporation, these companies often face difficulties opening bank accounts and obtaining tax registrations due to AML rules, leading to reduced practical use.</p>

Modality of Commercial Companies

Variable Capital (C.V.)	May be applied to Corporations, Limited Liability Companies, Limited Partnerships and Partnerships Limited by Shares. Share capital is divided into fixed (non-movable) and variable portions. The variable capital may be increased by subsequent contributions from partners or admission of new partners, and decreased by partial or total withdrawal of contributions, with only the formalities set forth in the bylaws. Companies are governed by the rules of their specific type and by the corporate provisions regarding balance sheets and directors' liabilities. The words "de capital variable" must be added to the company name.	<ol style="list-style-type: none"> 1. The incorporation agreement must include, in addition to the provisions corresponding to the nature of the company, the conditions for increasing and decreasing share capital. 2. In companies by shares, the incorporation agreement or an Extraordinary General Meeting shall set the capital increases and the form and terms of share issuances. Unsubscribed shares shall be kept by the company. 	Allows greater flexibility in managing share capital without repeated notarized amendments for each change.
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Cooperatives. Another type of business

Cooperative Companies	Governed by their special legislation (General Law of Cooperative Societies). Suitable for all types of businesses, based on principles of mutual aid, self-help and responsibility. Members' liability is limited to their contributions or may be supplemented as set forth in the bylaws.	<ol style="list-style-type: none"> 1. Prepare the UBO file prior to incorporation (see detailed UBO section). 2. Draft bylaws and formalize incorporation before a Notary Public (public deed). 3. Register with the Public Registry of Commerce. 4. Register with the National Registry of Foreign Investments, where applicable. 	Governed by the General Law of Cooperative Societies, not by the LGSM. Have a particular operating and legal framework, not in disuse.
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Civil Entities

Civil Entities	Primarily economic in nature, but its activities do not constitute commercial speculation. May have industrial, founding and investor partners. Suitable for professional services providers. Partners' liability is subsidiary and unlimited, unless otherwise agreed to limit it to their contributions (per Federal Civil Code, Article 2695).	<ol style="list-style-type: none"> 1. Prepare the UBO file prior to incorporation (see detailed UBO section). 2. Draft bylaws and formalize incorporation before a Notary Public (public deed). 3. Registration in the civil companies' registry to be enforceable against third parties. 	Governed by the Federal Civil Code. Ideal for professionals associating to render services.
Civil Association (Asociación Civil - A.C.)	Has legal personality and a purpose that is not fundamentally economic (non-profit). No limit on members and no minimum capital required. Used by foundations, sports clubs and NGOs. Members' liability is limited to their contributions or dues, unless otherwise provided in the bylaws.	<ol style="list-style-type: none"> 1. Prepare the UBO file prior to incorporation (see detailed UBO section). 2. Draft bylaws and formalize incorporation before a Notary Public (public deed). 3. Registration in the civil associations' registry to be enforceable against third parties. 	Governed by the Federal Civil Code. Its primary objective is not the generation of economic profit.

Additional High-Level Considerations (Updated)

Topics	Characteristic	Remarks
Public Registry of Commerce	All commercial companies of any type must be registered with the Public Registry of Commerce so their existence and acts are valid and enforceable against third parties.	Every duly incorporated company is obliged to register. If it commences business prior to registration, partners/shareholders are personally liable for any losses up to the registration date (per the Commercial Code).
Registration Notice with the Chamber of Commerce	Registration with the Mexican Business Information System (SIEM) is necessary to obtain certain permits and licenses.	In some cases, affiliation with a specific industry chamber and/or state/municipal registration may be required.
Real Estate Acquisition	<p>Restricted Zone Land within 100 km along borders and 50 km along coastlines.</p> <p>Outside Restricted Zone (a) Mexican entities with foreign investment may own real property without restrictions; (b) Foreign companies may own real property.</p> <p>Within Restricted Zone (a) Mexican entities with foreign investment may own when the use is non-residential; (b) For residential purposes, a trust must be established to obtain the right of use; (c) Foreign entities must establish a trust to obtain the right of use for any purpose and may not acquire direct ownership.</p>	The acquisition must be notified to the Ministry of Foreign Affairs within 60 business days. To establish a trust in the Restricted Zone, a permit from the Ministry of Foreign Affairs is required and the trust must be set up with a bank.
Capital Transfers	Capital may enter and exit Mexico without restriction.	There are no foreign exchange controls restricting capital flows in or out of the country.
Visa and Residence Permit	There are two visa types and certain immigration statuses to carry out business or remunerated activities in Mexico. To be a Board member, Manager or employee, a Work Visa and a Temporary Resident Permit are required. Special permits may be granted for up to 180 days for non-remunerated activities or business that does not involve employment. Companies hiring foreigners must obtain authorization from the National Immigration Institute (INM).	Performing remunerated activities without the corresponding visa or immigration permit may lead to sanctions for both the foreigner and the hiring company, and even invalidate certain legal acts or prevent the exercise of rights. Once the INM permit is obtained, the company may request a Work Visa and a Temporary Resident Permit for its foreign employees.
Activities Regulated by the Foreign Investment Law	Certain business activities in Mexico are restricted for foreign entities or Mexican entities with foreign investment.	Examples include: National public transportation, gas stations, radio and television stations, among other similar services.

Special Focus Topic: Ultimate Beneficial Owner (UBO)

Topic	Features	Requirements	Remarks
UBO File	<p>To comply with international provisions on preventing and identifying transactions with illicit proceeds, new obligations were established for legal entities, trustees, trustors or beneficiaries, and financial institutions.</p> <p>The legal framework for identifying the Ultimate Beneficial Owner (UBO) and the obligation to report to the Mexican Tax Administration Service (SAT) stands out. Tax authorities are empowered to request this information and verify compliance, imposing penalties for omission or falsehood.</p> <p>In July 2025, amendments to the Federal Law for the Prevention and Identification of Transactions with Illicit Proceeds tightened criteria and requirements to identify the UBO and Vulnerable Activities (Articles 3, 17, 18, 33 Bis, 33 Ter, 33 Quater).</p> <p>Notaries and public attestors request extensive documentation from shareholders or partners (individuals or entities) to identify the natural person who benefits from and/or controls the company.</p>	<p>For the act of incorporation and throughout the company's life, consider:</p> <ol style="list-style-type: none"> 1. If carried out through two Individuals Provide personal information of the individuals and their spouses (in case of community property). 2. If carried out through Legal Entities Define the number of levels in the corporate structure to identify all natural-person beneficiaries and/or controllers at each level (primary, secondary, tertiary shareholders, etc.), and once identified, collect their personal information. 3. Required documentation (original or certified copy, apostilled and/or officially translated) <ol style="list-style-type: none"> a. Commercial Companies (shareholders or intermediaries at all levels) Articles of incorporation, bylaws (if separate), certificate of the Shareholders' or Partners' Registry with participation percentage, proof of registration key with the Mercantile Registry, tax ID number, and proof of address. b. Individuals (administrators, shareholders at all levels, spouses) Birth certificate, nationality (if different from place of birth), passport (official ID), proof of address, Tax ID card, email address and phone number. 4. Keep the file updated in accordance with a Specific Manual. 	<p>This obligation is essential for transparency and for combating money laundering and terrorism financing, directly impacting company incorporation and operation in Mexico.</p>

Employment

Topic	Feature	Remarks
Work permit	All Foreign Employees need a Temporary Resident Visa with a working permit.	Normally the expiration time of any Visa is one year; renewable for as many times as needed.
Labor law	In Mexico there are detailed employment regulations. A minimum of 12 days of paid holidays a year are guaranteed. Plus a 25% vacation bonus Christmas bonus 15 days at year. The maximum working hours allowed by the Federal Labor Law are 8 hours per day, six days per week. There are new regulations related to homework, including how should be the journal for employee and other issues for employer. The law was modified to inhibit outsourcing companies, allowing only specialized jobs to provide this service and only if the companies that hire that services, not provide them.	
Social system	The social security system consists of health insurance, pension insurance, and the possibility to obtain a cheaper credit to acquire a house. The social security contributions and credit for a house are discounted partly from the employee's salary.	The Mexican Government has two institutions to accomplish the purposes of the social security system. IMSS and INFONAVIT.

Taxation

In Mexico the most relevant taxes are imposed by federal government. Nevertheless, Income Tax Law (ITL) recently, allowed states to levy an additional 5% percent income tax on gains on sale of real property, however, such IT is creditable against

the federal tax so there is not an additional tax burden. Transfer Pricing regulations are strong and many BEPS recommendations have been introduced.

Tax	Feature	Remarks
Corporate Income Tax (Legal Entities)	The standard corporate income tax rate is 30% on all taxable earnings of the corporation, whether retained or distributed profits. However, profit distributions are only taxed once at the corporate level.	In order to achieve the one level tax on corporate profits "Net After Tax Profit Account" (CUFIN) shall be determined. Profits distributions out of CUFIN shall pay 42.86% at corporate level only. As from 2014 dividends paid to Foreigners and Mexican Individuals will be subject to a 10% withholding tax
Personal Income Tax	It rises progressively to a maximum personal income tax rate of 35%, which is applicable to earnings above of EUR 140,000 or more (round numbers).	Personal deductions apply, However total amount per year is limited to the lesser of; 5 annual legal minimum wages or 15% of total income. This limitation shall not apply to donations and interests paid on mortgage.

Personal Income Tax in case of partnerships	By general rule partnerships are within scope of legal entities so they are separate legal entities. However, IFL provides for some "transparent regulations" and yields and advance payments received by members of civil law partnerships are considered as a deduction on a corporate level and shall pay tax on individual level according with the progressive rate.	
Other Main Tax Topics	<p><u>Permanent Establishment.</u> It is levied as a local corporation but it is useful for allocation cost contracts.</p> <p><u>Mandatory Employees' Profit Sharing.</u> 10% of the annual pre-tax profits.</p> <p><u>Thin Capitalization Rule.</u> Amount of debt shall not exceed three times the equity capital.</p>	<p><u>Tax Incentives:</u> Real Estate Developers may deduct land cost investment in the acquisition year</p>
Value Added Tax (VAT)	<p>Apply on a) Transfer of goods, b) Rendering of independent services c) Temporary use or enjoyment of goods d) Importation of goods or services.</p> <p>16% General rate</p> <p>8% Near Border (20 km)</p> <p>0% Some transactions (basic products) and Export of goods and some services</p>	<p>Refunds are available when 0% transactions are mainly made. Tax Code repeals compensation against other federal taxes.</p> <p>Runs on a cash flow basis and "effectively collected" rules must be considered.</p>
State and Municipal Taxes	<p>Rely mainly on payroll (imposed by states) and property. Average rate 2% percent.</p> <p>Real property acquisition tax (for the benefit of municipalities) is imposed on entities and individuals acquiring real property. Rates vary among the different legislations with 2% as a predominant rate.</p>	
Non-resident Taxation	<p>Non-resident individuals and companies receiving income sourced in Mexico are subject to Mexican taxation. Double taxation of this income is avoided by double tax agreements between Mexico and other countries. Mexico has the biggest network of Tax Treaties among all the countries in Latin America.</p> <p>In case of a non-resident company tax treatment depends on its kind of income. Payments to related parties are deductible but tax reform included new compliance rules. Transfer Pricing dispositions are in force following OECD Guidelines.</p> <p>Currently, a general withholding rate of 25% is provided by law to be applied over total revenue; however, there are some options to tax 25% rate over net basis (income less specific deductions): tourism time sharing contracts, sale of real estate and sale of shares. Exercising the option is subject to complying with some requirements.</p> <p>Special regulations applied for "tax haven transactions" when non-residents earn income from Mexico with low or any tax in its residency country (22% or less). 40% withholding tax may apply.</p>	

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MIDDLE EAST AND AFRICA

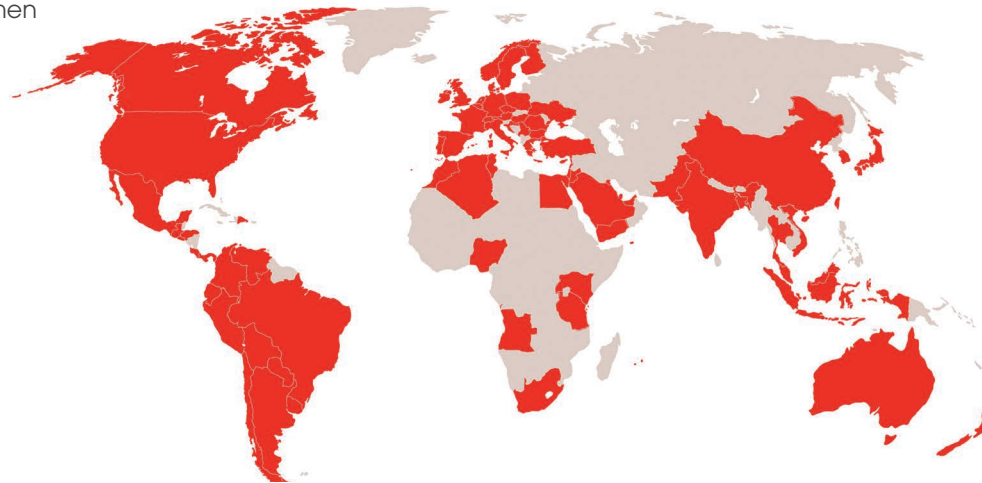
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