



Mexico's Aerospace Summit

INDUSTRY ANALYSIS - NEAR SHORE MANUFACTURING

Queretaro, Mexico
September 26 - 27, 2013

Tax treatment of maquiladoras and perspective in light of the proposed bill for a tax reform

Luis Carbajo & Manuel Padron
Baker & McKenzie Partners

Mexico Aerospace Summit
Queretaro, Qro
September 2013



Tax Reform Bill



- Proposed bill of tax reform was submitted on September 8, 2013
- New Tax Environment for Maquila Companies:
 - Value Added Tax
 - Temporary importations
 - Sales by non-residents
 - Income Tax
 - Maquila operation concept - PE
 - Transfer pricing – 17.5% vs. 30% - Maquila Incentives Repealed
 - Virtual pedimentos may be useless

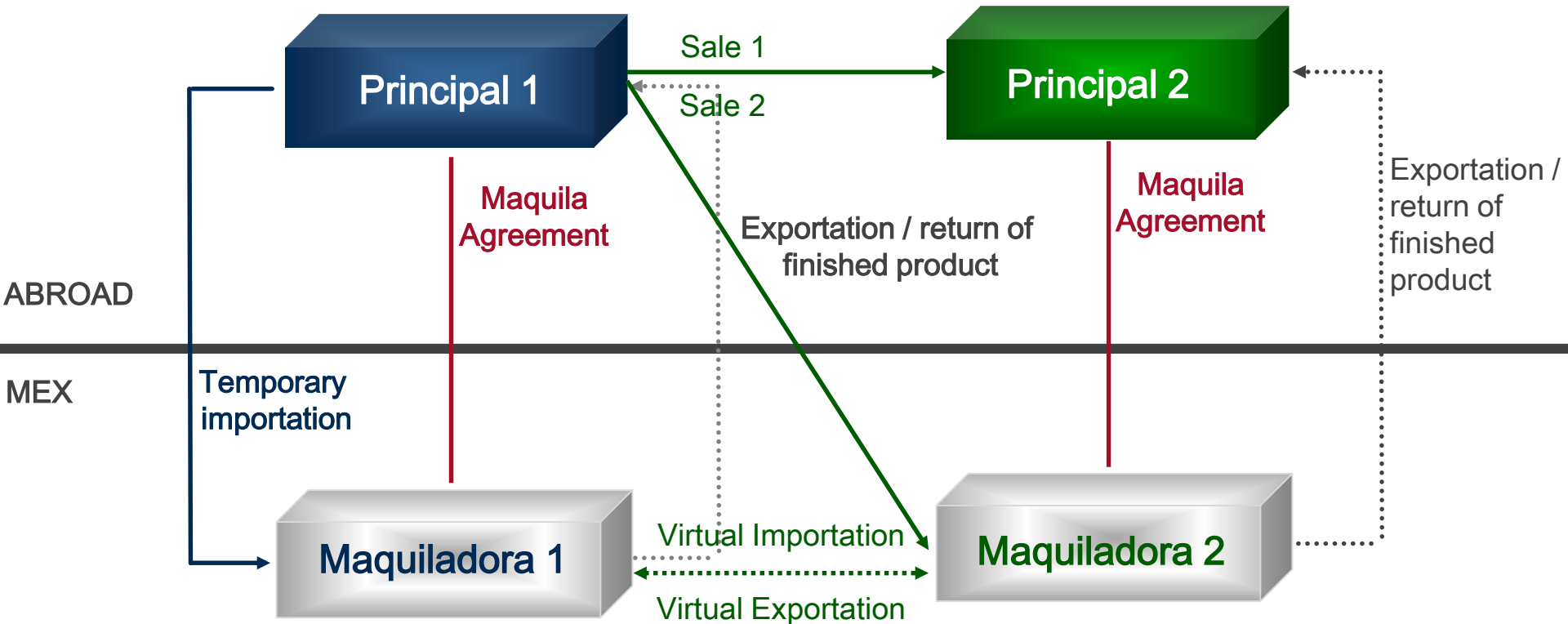
Tax Reform Bill



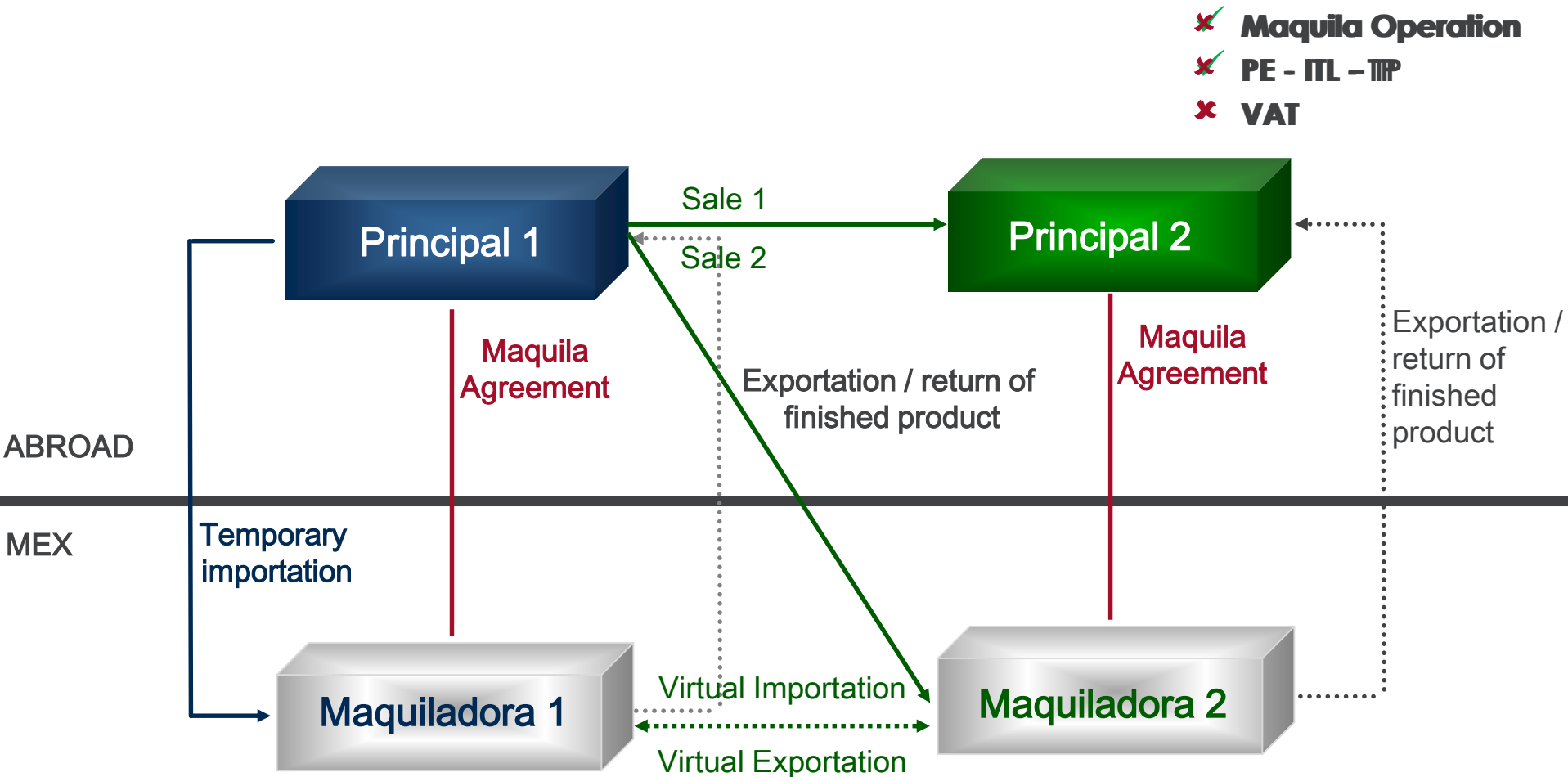
- Additional tax issues
 - Single Rate Tax repealed
 - Limitation on deductions
 - Dividend tax
 - Profit sharing

Current Maquila Framework

- ✓ Maquila Operation
- ✓ PE - ITL – TP
- ✓ VAT



Maquila Framework if Bill Enacted



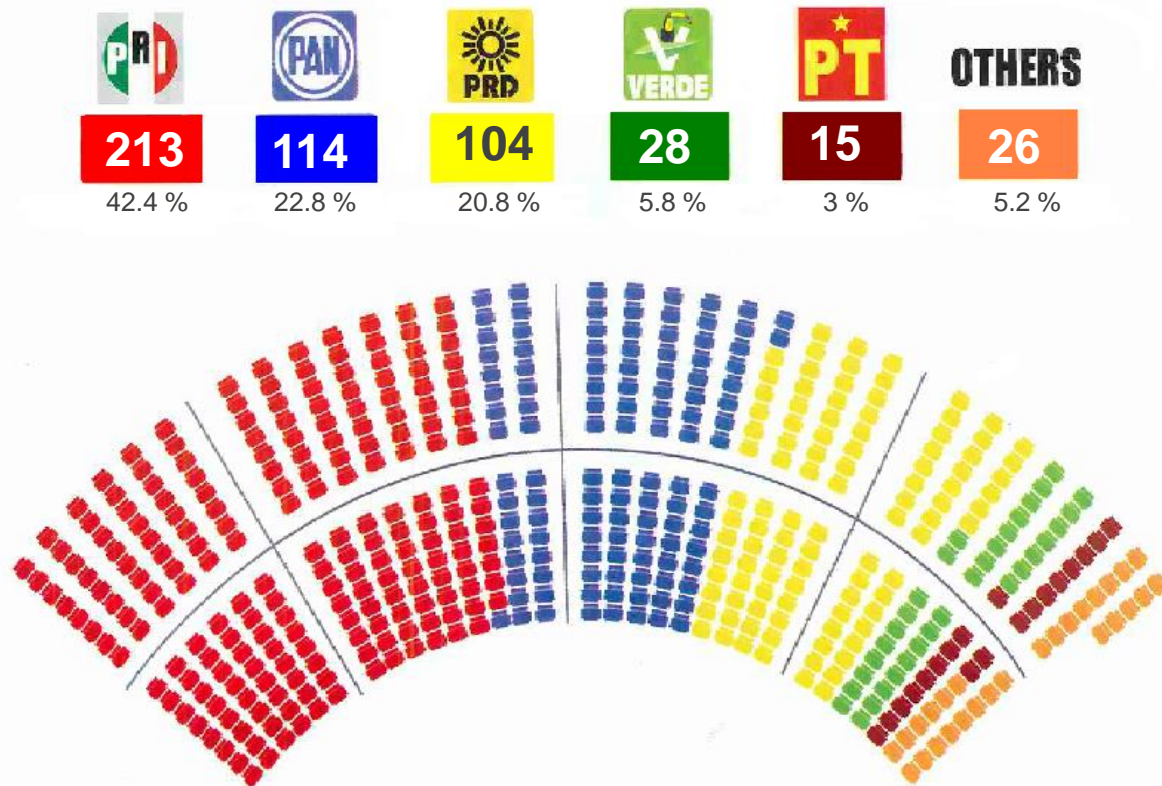
Legislative Process

Legislative Process

- According to legislative calendar, law to be discussed and approved by October 20th
- Discussions will start at the “lower” Chamber of the Legislative Branch for subsequent discussion at the Senate
- **Majority required to approve a tax reform:**
 - House of Representatives: 50% + 1 of the quorum required (251 representatives)
 - Senate: 50% +1 of the quorum required (65 senators)

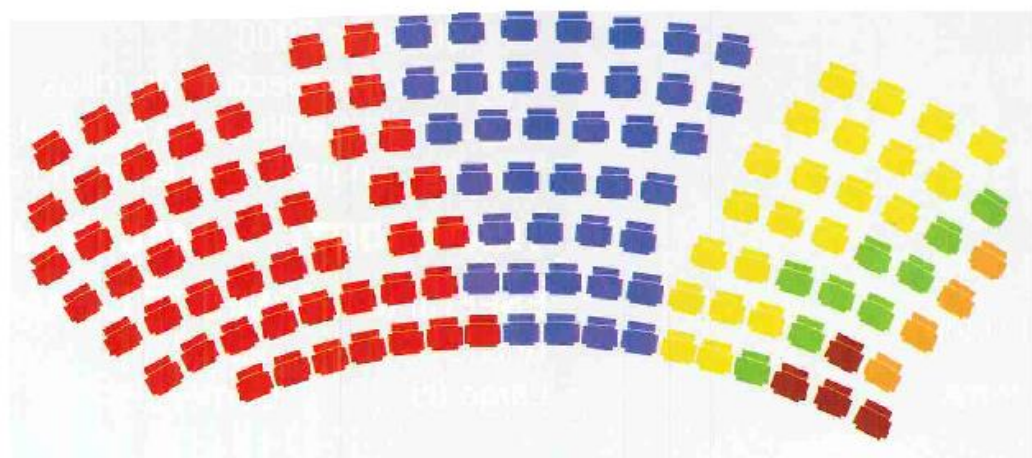
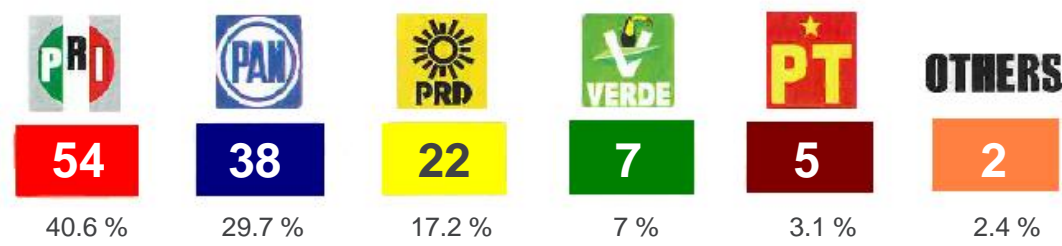
Structure of the House of Representatives

House of Representatives (Total: 500) 2012 - 2015 Legislature



Structure of the Senate

Senate (Total: 128)
2012 - 2018 Legislature



Questions?

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