



# MAURICIO MONROY

Contadores

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# Maquiladora Incentives Sometimes Overlooked



# Federal



# Incentives

- Tax and non-tax
- Federal
- State
- Municipal – Tijuana



## Federal

- a) Immediate deduction of assets under terms of the Income Tax Law and a 2003 Presidential Decree
- b) Hiring of special employees – result in income tax credits. Base of credit depends upon the profile of the employee
- c) First employment incentive grants additional deduction for income tax purposes – challenges for implementation
- d) FOMIX – direct funding for R&D projects
  - a) Company should be registered
  - b) Application for Project funding
- e) Assistance to employees for property tax payment of INFONAVIT residential units

# Baja California State Benefits



## Employment Support Program - Becate

- Subsidy for training of employees 16 years old and older
- 2 minimum wages
- Training material



# Law for the Promotion of the Competitiveness and Economic Development of Baja California

## Eligible companies include:

- A) New and those that carry out an expansion or technological investment project

They may be rewarded with a:

- 25 to 100% exemption on the Payroll Tax, during a period of 1 to 5 years.
- 20 to 50% exemption on the Water Connection System Fee.





# Law for the Promotion of the Competitiveness and Economic Development of Baja California

*Criteria to evaluate an investment project include:*

- *Number of jobs, incorporation of students in the production processes as well as disabled and 60+ year-old people.*
- *Jobs quality.*
- *Amount and origin of investment.*
- *Amount invested in technology.*
- *National and local suppliers.*
- *Market access.*
- *Establishment place..*



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B) Reuse or treat 100% of their water consumption, entitled to a 30% exemption from the monthly payment as long as the company reuses or treats water.

C) Hire disabled or 60+ year-old people, get a 100% exemption in the Payroll State Tax as long as they are retained.



## Point Summary

POINT RANGE	INCENTIVES	PERCENTAGE	PERIOD
32-44	Payroll tax	100%	First 2 years
		75%	Third year
45-54	Payroll tax	100%	First 2 years
		75%	Third year
		50%	Fourth year
55 or more	Payroll tax	100%	First 2 years
		75%	Third year
		50%	Fourth year
		25%	Fifth year
45-59	Rights of Connecting to the Water System	20%	One time
60 or more	Rights of Connecting to the Water System	50%	One time



SISTEM OF POINTS	
DESCRIPTION	POINTS
I. Job creation	1 - 19
II. Jobs quality	1 - 15
III. Amount and origin of investment	1 - 10
IV. Amount invested in technology	3 - 12
V. National and local supplier	3 - 8
VI. Market acces	2 - 6
VI. Employee Benefits	1
VII. Use of clean technologies in the production process.	2



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## I. Jobs creation

### Schedule 1.- Number of direct jobs to be generated after the implementation of the Investment Project:

- a) From 1 to 10 employees..... 1 points
- b) From 11 a 50 employees..... 2 points
- c) From 51 a 250 employees..... 3 points
- d) From 251 a 500 employees..... 4 points
- e) More than 500 employees..... 5 points

### Schedule 2.- Number of indirect jobs to be generated after the implementation of the Investment Project:

- a) From 11 to 50 employees..... 1 points
- b) From 51 to 250 employees..... 2 points
- c) From 251 to 500 employees..... 3 points
- d) From 501 to 750 employees..... 4 points
- e) More than 750 employees..... 5 points



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**Schedule 3.- Students of engineering and technical careers in technical institutions and higher education licensed or official recognition of studies, integrated into production processes of the Company under the agreement of the respective link:**

- a) From 1 to 5 students..... 2 points
- b) From 6 to 15 students..... 3 points
- c) More than de 15 students..... 4 points

**Schedule 4.- Recruitment of Older Persons and / or productive people with disabilities, representing:**

- a) At least the 5% of the total personnel ..... 1 points
- b) between 6% and 10% of the total personnel ..... 2 points
- c) More than 10% of the total personnel..... 5 points



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## II. JOBS QUALITY

### SCHEDULE 1.-From 11 to 50 direct jobs with a salary daily averaged salary:

- |                           |          |
|---------------------------|----------|
| a) From 3 to 5 GMW.....   | 1 points |
| b) From 6 to 7 GMW.....   | 2 points |
| c) From 8 to 10 GMW.....  | 3 points |
| d) From 11 to 15 GMW..... | 4 points |
| e) More than 15 GMW.....  | 5 points |

### SCHEDULE 2.- From 51 to generate 250 direct jobs with a salary average daily:

- |                           |           |
|---------------------------|-----------|
| a) From 3 to 5 GMW.....   | 2 points  |
| b) From 6 to 7 GMW.....   | 4 points  |
| c) From 8 to 10 GMW.....  | 6 points  |
| d) From 11 to 15 GMW..... | 8 points  |
| e) More than 15 GMW.....  | 10 points |

### SCHEDULE 3.- More than 250 direct jobs with a salary average daily:

- |                          |           |
|--------------------------|-----------|
| a) From 3 to 5 GMW.....  | 3 points  |
| b) From 6 to 7 GMW.....  | 6 points  |
| c) From 8 to 10 GMW..... | 9 points  |
| d) From 11 y 15 GMW..... | 12 points |
| e) More than 15 GMW..... | 15 points |

\* GMW = General Minimum Wage



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## III. AMOUNT AND ORIGIN OF INVESTMENT

### SCHEDULE 1.-New or Expanding investment, including construction and capital equipment, which amount in pesos to:

- a) 250 thousand dollars or less..... 1 point
- b) Over 250 thousand to 1 million dollars ..... 2 points
- c) Over 1 million to 5 million dollars..... 4 points
- d) Over 5 million to 50 million dollars..... 6 points
- e) Over 50 million to 100 million dollars ..... 8 points
- f) More than 100 million dollars..... 10 points

### SCHEDULE 2.- When the source of the investment is:

- a) 100 % foreign..... 2 points
- b) More than 50% foreign, but lower than the percentage of the previous paragraph ..... 4 points
- c) 50 % foreign and y 50 % national o local ..... 5 points
- d) Over 50% national or local greater than 50% but lower than the percentage indicated in the following paragraph..... 6 points
- e) 100 % Local..... 7 points





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## IV. AMOUNT INVESTED IN TECHNOLOGY

### SCHEDULE I.- When the amount representing at least:

- a) 0.5% of their annual sales ..... 3 points
- b) 1.0% of their annual sales ..... 5 points
- c) 2.5% of their annual sales ..... 7 points
- d) 5.0% of their annual sales ..... 10 points
- e) 10% of their annual sales ..... 12 points

## V. NATIONAL AND LOCAL SUPPLIER

### SCHEDULE I.- Procurement of goods to companies located in the State and / or in the country, including those incorporated into their processes, products manufactured in the State, when:

- a) Between 10 and 25% of the value of its purchases were made in the state, other states of the country or the Federal District ..... 3 points
- b) Between 26 and 50% of the value of its purchases were made in the state, other states of the country or the Federal District ..... .. 5 puntos
- c) More than 51% of the value of its purchases were made in the state, other states of the country or the Federal District ..... 6 puntos
- d) Between 75 and 90% of the value of its purchases were made in the State ... 7 points
- e) Over 90% of the value of its purchases were made in the State ..... 8 points

"In this schedule, it is excluded the services of electricity, water, gas, telecommunications and fuel."



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## VI. MARKET ACCES

**SCHEDULE I.- Companies that through processes, production, processing, repair or industrialization, which generate products distributed in markets other than the State representing in total annual production:**

- |  |          |
|--|----------|
| a) Between 10 and 33% in Mexican or foreign markets...   | 2 points |
| b) Over 33 and up to 66% in Mexican market.....          | 3 points |
| c) More than 33 y and up to 66%, in foreign markets..... | 4 puntos |
| d) More than 66%, en Mexican markets .....               | 5 puntos |
| e) More than 66%, in foreign markets .....               | 6 puntos |



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## VII.- EMPLOYEE BENEFITS

**SCHEDULE I. - For the provision of employment benefits granted by the same company at no cost to the worker:**

- a) For lunch service ..... 1 point
- b) For public or private transport..... 1 point
- c) For daily childcare ..... 1 point



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## VIII. USE OF CLEAN TECHNOLOGIES IN THE PRODUCTION PROCESS

### Schedule I.

To implement programs that enable them to recycle at least 50% waste resulting from production processes... 2 points.



# Municipal Benefits



## Regulations to Promote Competitiveness and Economic Development for the City of Tijuana – May 2011

- Property tax
- Real estate transfer tax
- Certain Municipal services (Fire department, EPD, etc.)
- Up to 35% exemption
- Point system



## Property Tax Amnesty Program

Waiver of fines and surcharges in the payment of property tax during August.

- 100% of fines and surcharges during the month of August 2011
- 80% waiver during the month of September.



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