

MORENO DARE & MORETIZ
ATTORNEYS | ABOGADOS

MEXICO - REAL ESTATE INVESTMENT

Under new regulations, foreign investor's can now own up to 100 percent of a large number of enterprises, including hotel companies, development companies and others, without prior authorization from the Federal Government. Thus, foreign investors in these enterprises have been put on equal footing with local investors and are no longer required to engage a Mexican investment partner.

Provisions in the Income Tax Code have also been established to offset the detrimental effects of inflation on monetary assets and liabilities, inventories and depreciable assets.

Mexico will continue to offer foreign investors close proximity to the world's largest market, a solid communications infrastructure, ample supplies of energy, and skilled and trainable labor resources. The relaxation of the foreign investment rules is a clear indication of the pro-attitude that the government has taken towards foreign investment. The combination of a rapidly improving economy and stable profitable base foretells an ongoing investment environment.

The Mexican government has stated that it aims to double the number of foreign tourist arrivals into Mexico, representing foreign exchange revenue of \$5 billion plus annually. The Los Cabos region is a priority area for this targeted growth.

MEXICAN RESIDENTIAL TRUST

Foreign citizens who wish to buy property within designated regions of Mexico are required to obtain a "Fideicomiso", which functions as a Trust for residential purposes.

Through a Residential Trust, the Mexican Constitution allows foreigners to purchase and own real estate in Mexico located within the restricted zone, which is all land within 60 miles of a national border and within 30 miles of the Mexican Coast, which includes all real estate in Los Cabos.

The Residential Trust is a 50-year, renewable bank trust, granting a foreign Buyer the right to use, enjoy, improve, rent, sell or otherwise enjoy the property. The foreign Buyer is called the Beneficiary and as the beneficiary, you retain all ownership rights and responsibilities to the property and have the right to sell, lease, improve, mortgage or will the property to your heirs. Essentially, the beneficiary of the property enjoys all the rights he would if ownership were fee-simple.

The parties involved with a Residential Trust are: The Fiduciary – Mexican Bank, the Buyer (Beneficiary – can be a person or a legal entity as an LLC or other USA corporation, partnership, family trust, etc.) and the Seller.

Since the incorporation of your Residential Trust, as Principal Beneficiary can appoint substitute beneficiaries in case of decease to also use it for hereditary purposes.

Your Property held in trust is not an asset of the bank. In the rare case that the bank goes into financial difficulty or even in the almost impossible case of a bankruptcy, the property is transferred to another trustee bank according the Mexican Federal Laws.

60 business days is the time frame to incorporate a Residential Trust, including recording your Title before the Public Registry of Property and the Cadastral Direction of the Municipality.

Unless otherwise negotiated by parties, the possession of the property is transferred simultaneously with the transfer of title and release of funds from Escrow Agent to Seller.

The only tax due annually related to your real estate is the Property Tax.

We are the best Counsel when investing in Los Cabos.

It is not like in your country – Contact Us info@mdlegal.mx