

Doing Business 2010

Mexico

COMPARING REGULATION IN 183 ECONOMIES



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1 2 3 4 08 07 06 05

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ISBN: 978-0-8213-7961-5
E-ISBN: 978-0-8213-7965-3
DOI: 10.1596/978-0-8213-7961-5
ISSN: 1729-2638

Library of Congress Cataloging-in-Publishing Data has been applied for.

Printed in the United States.

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Introduction

Doing Business 2010: Reforming Through Difficult Times is the seventh in a series of annual reports investigating regulations that enhance business activity and those that constrain it. Doing Business presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 10 stages of a business's life are measured: starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2010: Reforming Through Difficult Times* are current as of June 1, 2009*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The Doing Business methodology has limitations. Other areas important to business such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and The Caribbean, 27 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 19 in the Middle East and North Africa and 8 in South Asia, as well as 27 OECD high-income economies as benchmarks.

The following pages present the summary Doing Business indicators for Mexico. The data used for this country profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator. The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2010: Reforming Through Difficult Times* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website (www.doingbusiness.org).

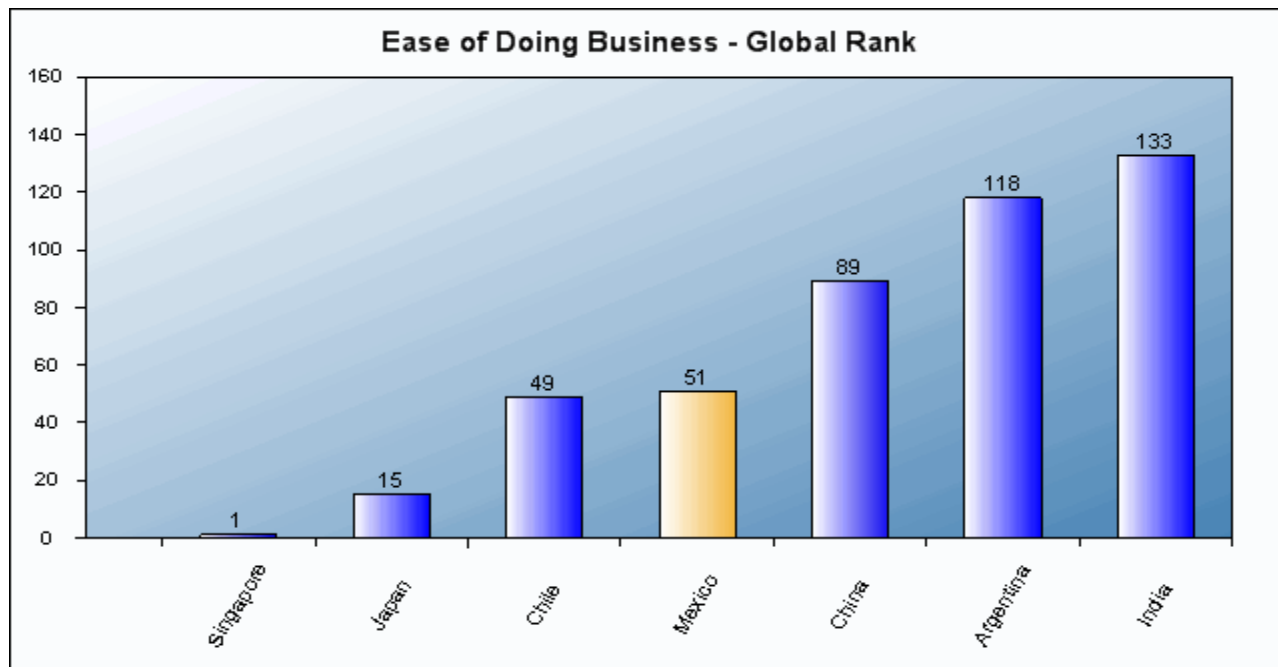
* Except for the Paying Taxes indicator that refers to the period January to December of 2008.

Note: Doing Business 2008 and Doing Business 2009 data and rankings have been recalculated to reflect changes to the methodology and the addition of new countries (in the case of the rankings).

Economy Rankings - Ease of Doing Business

Mexico is ranked 51 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

Mexico - Compared to global good practice economy as well as selected economies:



Mexico's ranking in Doing Business 2010

Rank	Doing Business 2010
Ease of Doing Business	51
Starting a Business	90
Dealing with Construction Permits	37
Employing Workers	136
Registering Property	99
Getting Credit	61
Protecting Investors	41
Paying Taxes	106
Trading Across Borders	74
Enforcing Contracts	81
Closing a Business	24

Summary of Indicators - Mexico

Starting a Business	Procedures (number)	8
	Time (days)	13
	Cost (% of income per capita)	11.7
	Min. capital (% of income per capita)	8.9
Dealing with Construction Permits	Procedures (number)	12
	Time (days)	138
	Cost (% of income per capita)	113.1
Employing Workers	Difficulty of hiring index (0-100)	33
	Rigidity of hours index (0-100)	20
	Difficulty of redundancy index (0-10)	70
	Rigidity of employment index (0-100)	41
	Redundancy costs (weeks of salary)	52
Registering Property	Procedures (number)	5
	Time (days)	74
	Cost (% of property value)	5.2
Getting Credit	Strength of legal rights index (0-10)	4
	Depth of credit information index (0-6)	6
	Public registry coverage (% of adults)	0.0
	Private bureau coverage (% of adults)	77.5
Protecting Investors	Extent of disclosure index (0-10)	8
	Extent of director liability index (0-10)	5
	Ease of shareholder suits index (0-10)	5
	Strength of investor protection index (0-10)	6.0
Paying Taxes	Payments (number per year)	6
	Time (hours per year)	517
	Profit tax (%)	22.9
	Labor tax and contributions (%)	26.7
	Other taxes (%)	1.3
	Total tax rate (% profit)	51.0

Trading Across Borders	Documents to export (number)	5
	Time to export (days)	14
	Cost to export (US\$ per container)	1472
	Documents to import (number)	5
	Time to import (days)	17
	Cost to import (US\$ per container)	2050
Enforcing Contracts	Procedures (number)	38
	Time (days)	415
	Cost (% of claim)	32.0
Closing a Business	Recovery rate (cents on the dollar)	64.2
	Time (years)	1.8
	Cost (% of estate)	18

Starting a Business

When entrepreneurs draw up a business plan and try to get under way, the first hurdles they face are the procedures required to incorporate and register the new firm before they can legally operate. Economies differ greatly in how they regulate the entry of new businesses. In some the process is straightforward and affordable. In others the procedures are so burdensome that entrepreneurs may have to bribe officials to speed up the process or may decide to run their businesses informally.

Analysis shows that burdensome entry regulations do not increase the quality of products, make work safer or reduce pollution. Instead, they constrain private investment; push more people into the informal economy; increase consumer prices and fuel corruption.

Methodology

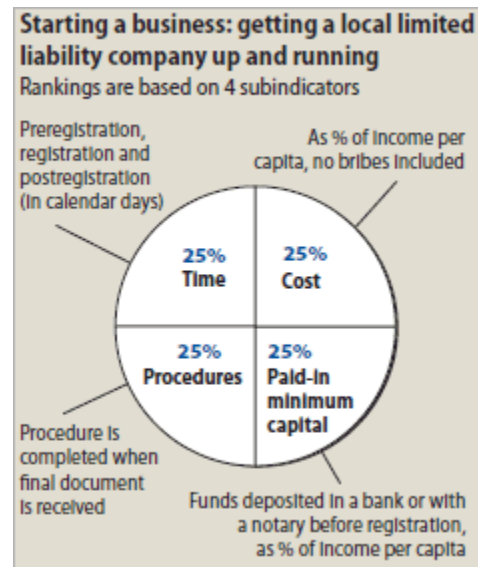
The data on starting a business is based on a survey and research investigating the procedures that a standard small to medium-size company needs to complete to start operations legally. This includes obtaining all necessary permits and licenses and completing all required inscriptions, verifications and notifications with authorities to enable the company to formally operate. Procedures are recorded only where interaction is required with an external party. It is assumed that the founders complete all procedures themselves unless professional services (such as by a notary or lawyer) are required by law. Voluntary procedures are not counted, nor are industry-specific requirements and utility hook-ups. Lawful shortcuts are counted.

It is assumed that all information is readily available to the entrepreneur, that there has been no prior contact with officials and that all government and nongovernment entities involved in the process function without corruption.

Survey Case Study

The business:

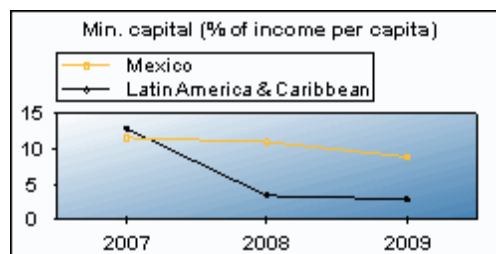
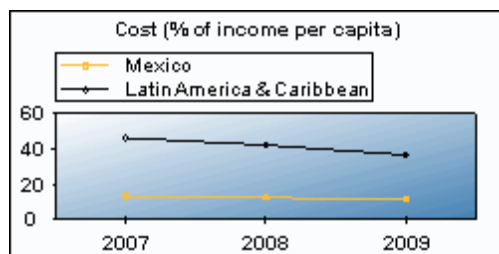
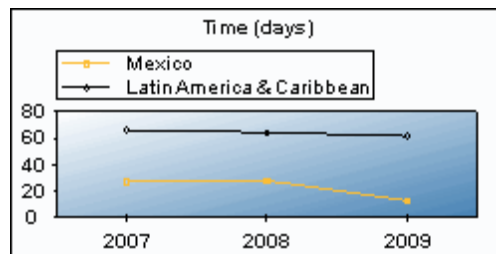
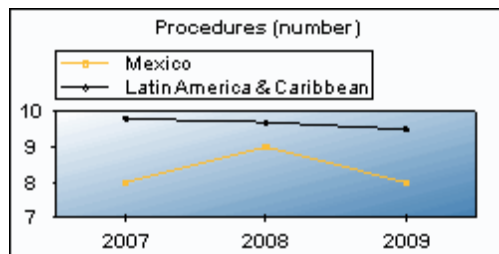
- is a limited liability company conducting general commercial activities
- is located in the largest business city
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has between 10 and 50 employees
- does not qualify for any special benefits
- does not own real estate



1. Historical data: Starting a Business in Mexico

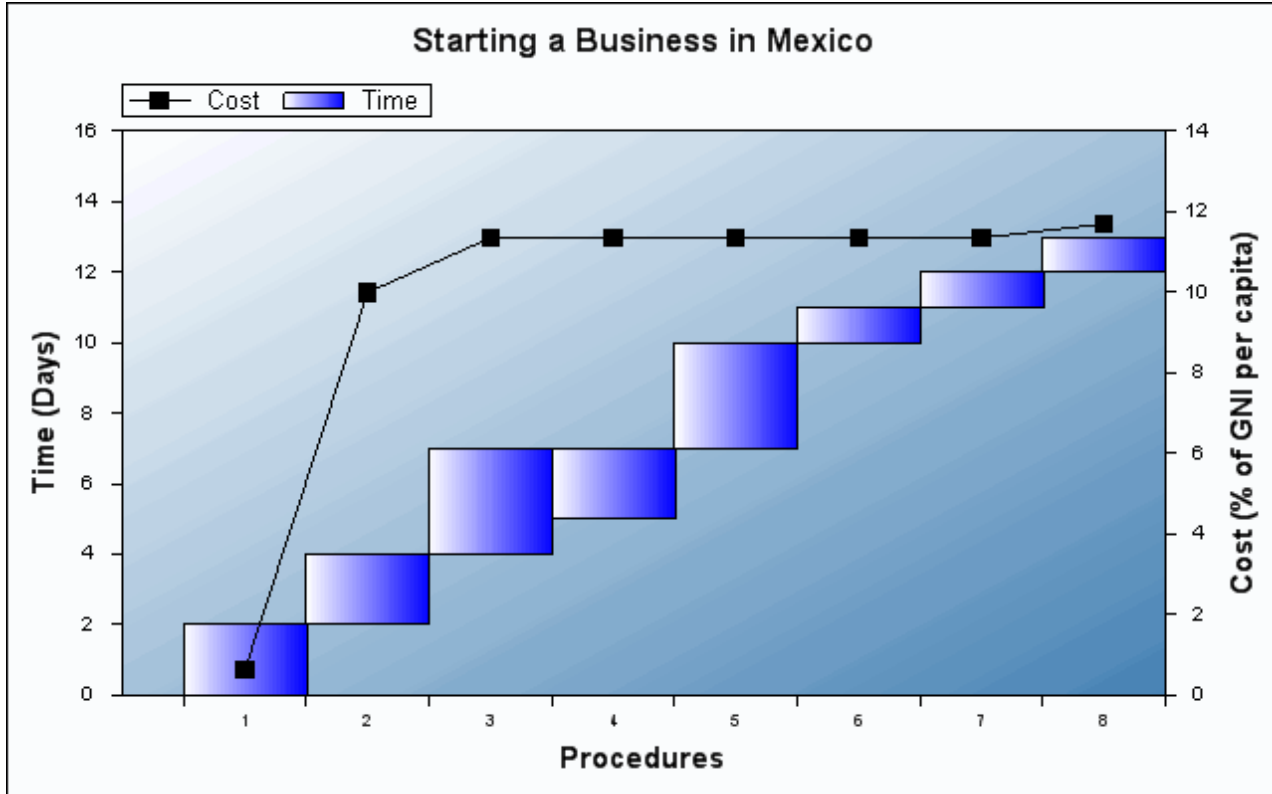
Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	114	90
Procedures (number)	8	9	8
Time (days)	27	28	13
Cost (% of income per capita)	13.3	12.5	11.7
Min. capital (% of income per capita)	11.6	11.0	8.9

2. The following graphs illustrates the Starting a Business indicators in Mexico over the past 3 years:



3. Steps to Starting a Business in Mexico

It requires 8 procedures, takes 13 days, and costs 11.70 % GNI per capita to start a business in Mexico.



List of Procedures:

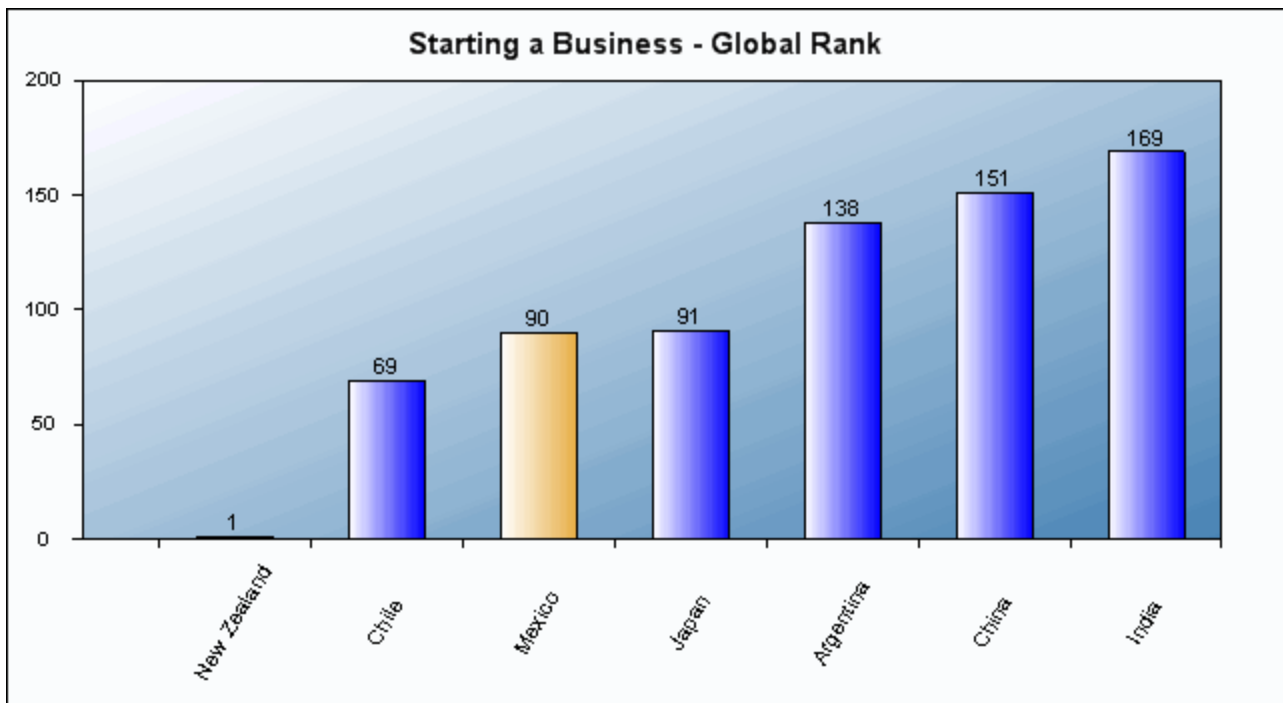
1. Obtain the authorization of using the company name from the Ministry of Foreign Affairs (Secretaría de Relaciones Exteriores)
2. Sign the deed of incorporation before a notary public and obtain tax registration number
3. Register the deed in the Public Register of Commerce
4. Register at the Ministry of Finance and Credit, Secretaría de Hacienda y Crédito Público, to obtain the tax ID number : Registro Federal de Contribuyentes "RFC"
5. Register with the Mexican Social Security Institute (IMSS)
6. Register with the local tax administration (Secretaría de Finanzas del Gobierno del Distrito Federal) for payroll tax
7. Notice of opening a mercantile establishment before local government (Delegación)
8. Register with the National Business Information Registry (Sistema de Información Empresarial, SIEM)

More detail is included in the appendix.

4. Benchmarking Starting a Business Regulations:

Mexico is ranked 90 overall for Starting a Business.

Ranking of Mexico in Starting a Business - Compared to good practice and selected economies:



The following table shows Starting a Business data for Mexico compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)	Min. capital (% of income per capita)
Denmark*			0.0	
New Zealand*	1	1		0.0

<i>Selected Economy</i>				
Mexico	8	13	11.7	8.9

<i>Comparator Economies</i>				
Argentina	15	27	11.0	2.9
Chile	9	27	6.9	0.0
China	14	37	4.9	130.9
India	13	30	66.1	210.9
Japan	8	23	7.5	0.0

* The following economies are also good practice economies for :

Procedures (number): **Canada**

Cost (% of income per capita): **Slovenia**

Dealing with Construction Permits

Once entrepreneurs have registered a business, what regulations do they face in operating it? To measure such regulation, Doing Business focuses on the construction sector. Construction companies are under constant pressure from government to comply with inspections, with licensing and safety regulations, from customers to be quick and cost-effective. These conflicting pressures point to the tradeoff in building regulation; the tradeoff between protecting people (construction workers, tenants, passersby) and keeping the cost of building affordable.

In many economies, especially poor ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

Methodology

The indicators on dealing with construction permits record all procedures officially required for an entrepreneur in the construction industry to build a warehouse. These include submitting project documents (building plans, site maps) to the authorities, obtaining all necessary licenses and permits, completing all required notifications and receiving all necessary inspections. They also include procedures for obtaining utility connections, such as electricity, telephone, water and sewerage. The time and cost to complete each procedure under normal circumstances are calculated. All official fees associated with legally completing the procedures are included. Time is recorded in calendar days. The survey assumes that the entrepreneur is aware of all existing regulations and does not use an intermediary to complete the procedures unless required to do so by law.

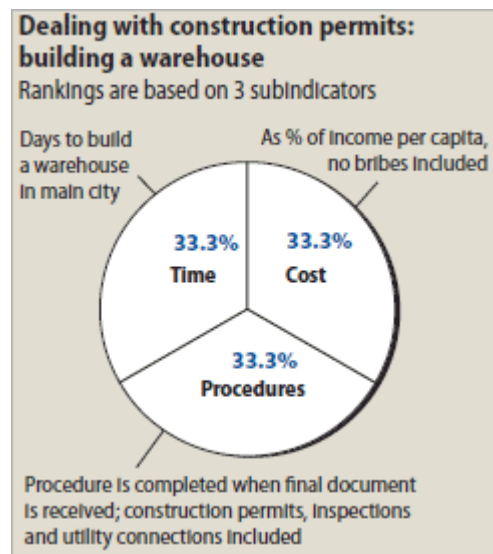
Survey Case Study

The business:

- is a small to medium-size limited liability company
- is located in the largest business city
- is domestically owned and operated, in the construction business
- has 20 qualified employees

The warehouse to be built:

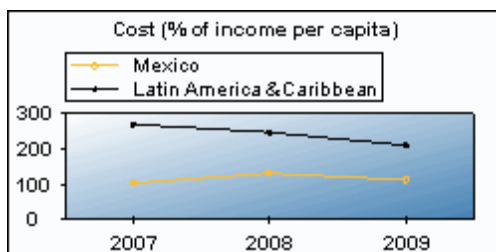
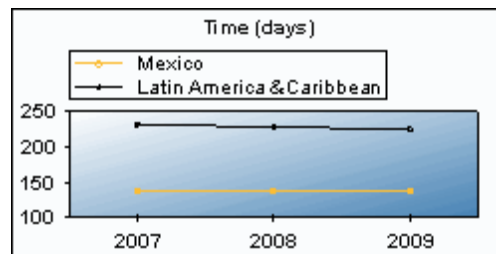
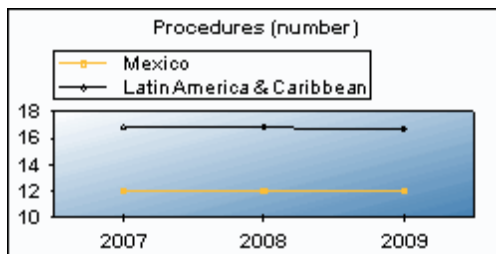
- is a new construction (there was no previous construction on the land)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and one land phone line. The connection to each utility network will be 32 feet, 10 inches (10 meters) long.
- will be used for general storage, such as of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).



1. Historical data: Dealing with Construction Permits in Mexico

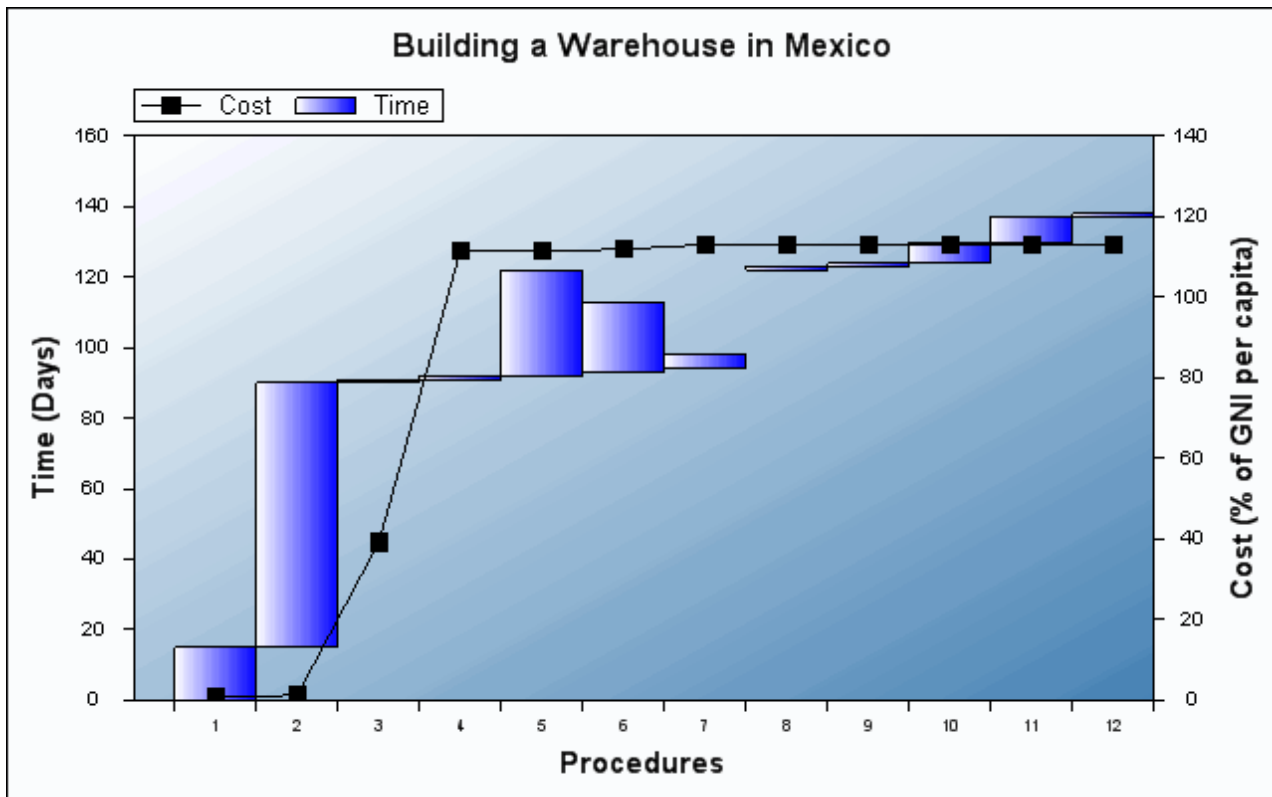
Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	33	37
Procedures (number)	12	12	12
Time (days)	138	138	138
Cost (% of income per capita)	103.5	131.0	113.1

2. The following graphs illustrates the Dealing with Construction Permits indicators in Mexico over the past 3 years:



3. Steps to Building a Warehouse in Mexico

It requires 12 procedures, takes 138 days, and costs 113.07 % GNI per capita to build a warehouse in Mexico.



List of Procedures:

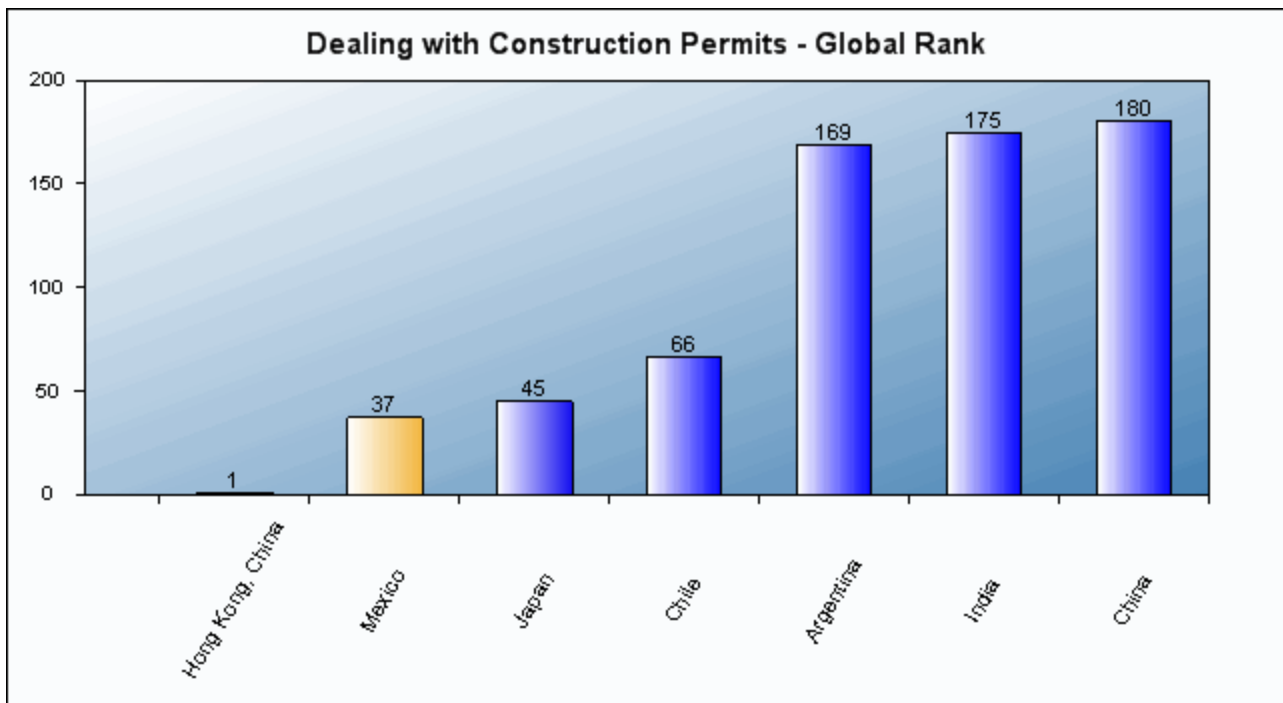
- | | |
|---|--|
| 1. Request and obtain the alignment certificate (alineamiento) and official number (número oficial) | 11. Request and obtain authorization from civil protection |
| 2. Request and obtain single zoning certificate stating specific land use and feasibility | 12. Update the building record at the tax ministry |
| 3. Request water and sewage services and pay the corresponding fees for service contracting | |
| 4. Register Construction Statement Type B | |
| 5. Request and connect to water and sewage services | |
| 6. Request and connect to electrical power service | |
| 7. Request and connect to a regular telephone line | |
| 8. Notify the Municipal Authority on construction work completion | |
| 9. Receive inspection on construction work completion from Directorate of General Works | |
| 10. Request and obtain use an occupancy clearance | |

More detail is included in the appendix.

4. Benchmarking Dealing with Construction Permits Regulations:

Mexico is ranked 37 overall for Dealing with Construction Permits.

Ranking of Mexico in Dealing with Construction Permits - Compared to good practice and selected economies:



The following table shows Dealing with Construction Permits data for Mexico compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)
Denmark	6		
Qatar			0.6
Singapore		25	

<i>Selected Economy</i>			
Mexico	12	138	113.1

<i>Comparator Economies</i>			
Argentina	28	338	145.1
Chile	18	155	97.8
China	37	336	579.2
India	37	195	2394.9
Japan	15	187	19.3

Employing Workers

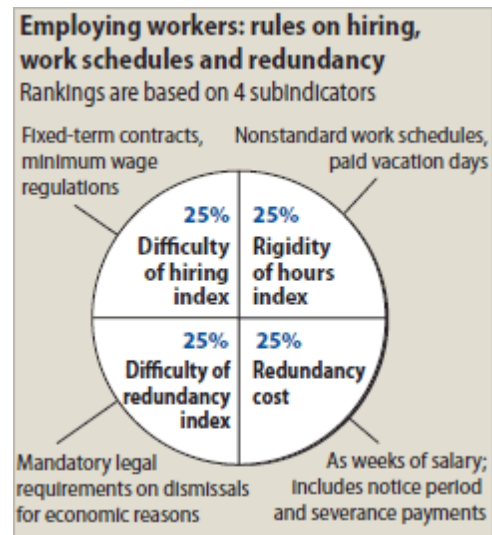
Economies worldwide have established a system of laws and institutions intended to protect workers and guarantee a minimum standard of living for its population. This system generally encompasses four bodies of law: employment, industrial relations, social security and occupational health and safety laws.

Employment regulations are needed to allow efficient contracting between employers and workers and to protect workers from discriminatory or unfair treatment by employers. Doing Business measures flexibility in the regulation of hiring, working hours and dismissal in a manner consistent with the conventions of the International Labour Organization (ILO). An economy can have the most flexible labor regulations as measured by Doing Business while ratifying and complying with all conventions directly relevant to the factors measured by Doing Business and with the ILO core labor standards. No economy can achieve a better score by failing to comply with these conventions.

Governments all over the world face the challenge of finding the right balance between worker protection and labor market flexibility. But in developing countries especially, regulators often err to one extreme, pushing employers and workers into the informal sector. Analysis across economies shows that while employment regulation generally increases the tenure and wages of incumbent workers, overly rigid regulations may have undesirable side effects. These include less job creation, smaller company size, less investment in research and development, and longer spells of unemployment and thus the obsolescence of skills, all of which may reduce productivity growth.

Methodology

Two measures are presented: a rigidity of employment index and a redundancy cost measure. The rigidity of employment index is the average of three sub-indices: difficulty of hiring, rigidity of hours and difficulty of redundancy. Each index takes values between 0 and 100, with higher values indicating more rigid regulation. The difficulty of hiring index measures the flexibility of contracts and the ratio of the minimum wage to the value added per worker. The rigidity of hours index covers restrictions on weekend and night work, requirements relating to working time and the workweek taking into account legal provisions that refer specifically to small to medium-size companies in the manufacturing industry in which continuous operation is economically necessary, as well as mandated days of annual leave with pay. The difficulty of redundancy index covers workers' legal protections against dismissal, including the grounds permitted for dismissal and procedures for dismissal (individual and collective): notification and approval requirements, retraining or reassignment obligations and priority rules for dismissals and reemployment.



The Redundancy cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary.

Survey Case Study

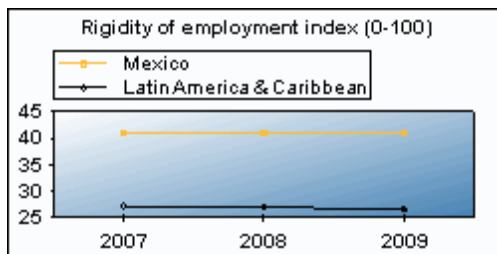
The business:

- is a limited liability company operating in the manufacturing sector
- is located in the largest business city
- is 100% domestically owned
- has 60 employees
- The company is also assumed to be subject to collective bargaining agreements in economies where such agreements cover more than half the manufacturing sector and apply even to firms not party to them.

1. Historical data: Employing Workers in Mexico

Employing Workers data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	136	136
Redundancy costs (weeks of salary)	52	52	52
Rigidity of employment index (0-100)	41	41	41

2. The following graphs illustrates the Employing Workers indicators in Mexico over the past 3 years:



3. Benchmarking Employing Workers Regulations:

Mexico is ranked 136 overall for Employing Workers.

Ranking of Mexico in Employing Workers - Compared to good practice and selected economies:



The following table shows Employing Workers data for Mexico compared to good practice and comparator economies:

Good Practice Economies	Rigidity of employment index (0-100)	Redundancy costs (weeks of salary)
Hong Kong, China*	0	
New Zealand*		0

<i>Selected Economy</i>		
Mexico	41	52

<i>Comparator Economies</i>		
Argentina	21	95
Chile	18	52
China	31	91
India	30	56
Japan	16	4

* The following economies are also good practice economies for :

Rigidity of employment index (0-100): Australia, Brunei Darussalam, Kuwait, Marshall Islands, Singapore, St. Lucia, Uganda, United States

Redundancy costs (weeks of salary): Denmark, Iraq, Marshall Islands, Micronesia, Fed. Sts., Palau, Puerto Rico, Tonga, United States

Registering Property

Formal property titles help promote the transfer of land, encourage investment and give entrepreneurs access to formal credit markets. But a large share of property in developing economies is not formally registered. Informal titles cannot be used as security in obtaining loans, which limits financing opportunities for businesses. Many governments have recognized this and started extensive property titling programs. But bringing assets into the formal sector is only part of the story. The more difficult and costly it is to formally transfer property, the greater the chances that formalized titles will quickly become informal again. Eliminating unnecessary obstacles to registering and transferring property is therefore important for economic development.

Efficient property registration reduces transaction costs and helps to formalize property titles. Simple procedures to register property are also associated with greater perceived security of property rights and less corruption. That benefits all entrepreneurs, especially women, the young and the poor. The rich have few problems protecting their property rights. They can afford to invest in security systems and other measures to defend their property. But small entrepreneurs cannot. Reform can change this.

Methodology

Doing Business records the full sequence of procedures necessary for a business (buyer) to purchase a property from another business (seller) and to transfer the property title to the buyer's name. The property of land and building will be transferred in its entirety. The transaction is considered complete when the buyer can use the property as collateral for a bank loan.

Local property lawyers and officials in property registries provide information on required procedures as well as the time and cost to complete each one. For most economies the data are based on responses from both. Based on the responses, three indicators are constructed:

- number of procedures to register property
- time to register property (in calendar days)
- official costs to register property (as a percentage of the property value)

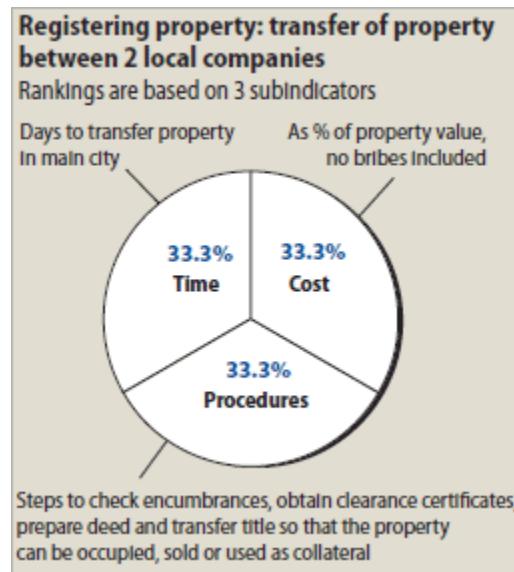
Survey Case Study

The buyer and seller:

- are limited liability companies
- are private nationals (no foreign ownership)
- are located in periurban area of the largest business city
- conduct general commercial activities

The property:

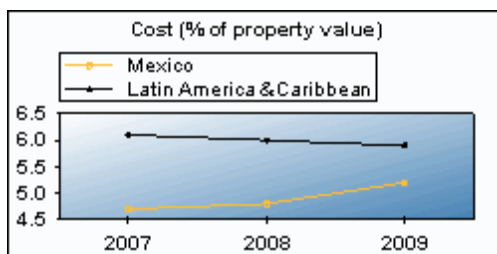
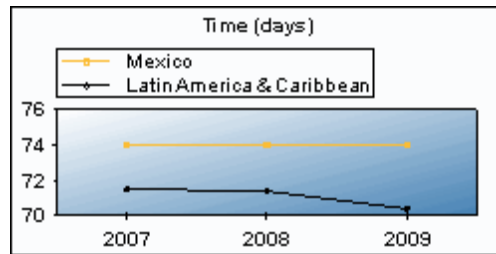
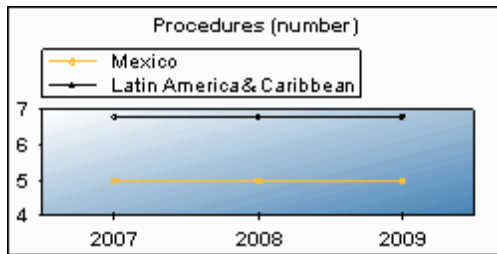
- consists of land and a 2-story building (warehouse)
- is located in the periurban commercial zone of the largest business city
- The land area is 557.4 m² (6,000 square feet).
- The warehouse has a total area of 929 m² (10,000 square feet).
- has a value equal to 50 times income per capita
- The seller company owned the property for the last 10 years.
- is registered in the land registry and/or cadastre and is free of all disputes.



1. Historical data: Registering Property in Mexico

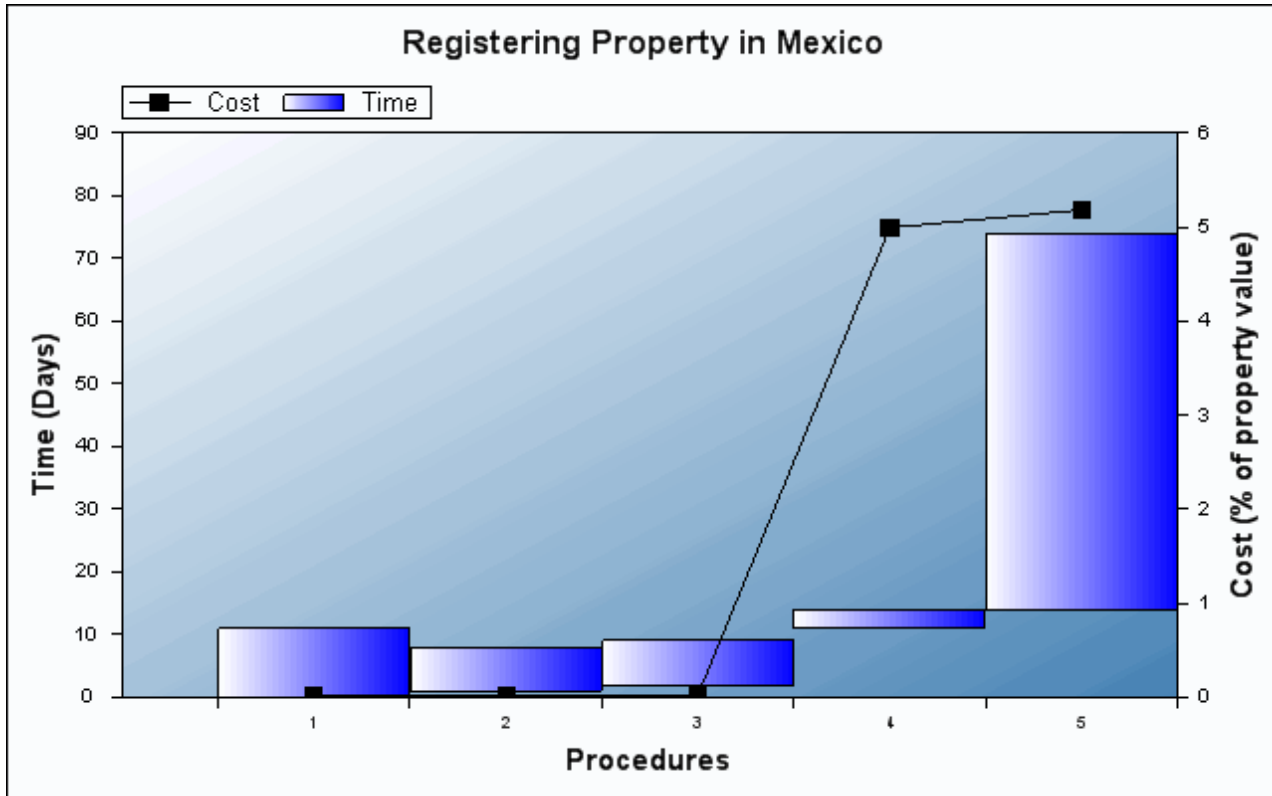
Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	90	99
Procedures (number)	5	5	5
Time (days)	74	74	74
Cost (% of property value)	4.7	4.8	5.2

2. The following graphs illustrates the Registering Property indicators in Mexico over the past 3 years:



3. Steps to Registering Property in Mexico

It requires 5 procedures, takes 74 days, and costs 5.18 % of property value to register the property in Mexico.



List of Procedures:

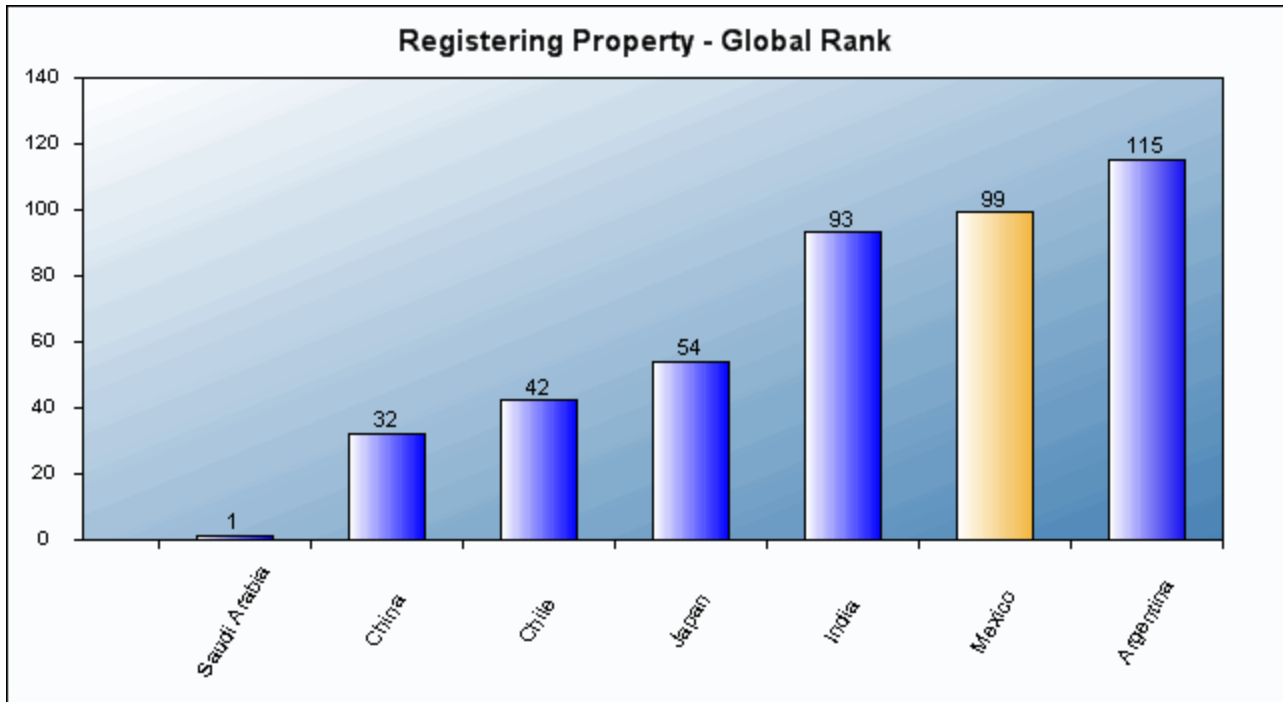
1. Obtain the alignment and official number of the property at the corresponding Federal District Department
2. Obtain the cadastral plan from the Cadastre Department at the Public Registry of Property
3. The notary public obtains a no-encumbrance certificate
4. The notary public formalizes the sale purchase agreement
5. Registration of the transfer of title at the Public Registry of Property of the Federal District

More detail is included in the appendix.

4. Benchmarking Registering Property Regulations:

Mexico is ranked 99 overall for Registering Property.

Ranking of Mexico in Registering Property - Compared to good practice and selected economies:



The following table shows Registering Property data for Mexico compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of property value)
New Zealand*		2	
Norway*	1		
Saudi Arabia			0.0

<i>Selected Economy</i>			
Mexico	5	74	5.2

<i>Comparator Economies</i>			
Argentina	6	52	7.0
Chile	6	31	1.3
China	4	29	3.1
India	5	44	7.4
Japan	6	14	5.0

* The following economies are also good practice economies for :

Procedures (number): United Arab Emirates

Time (days): Saudi Arabia, Thailand, United Arab Emirates

Getting Credit

Firms consistently rate access to credit as among the greatest barriers to their operation and growth. Doing Business constructs two sets of indicators of how well credit markets function: one on credit registries and the other on legal rights of borrowers and lenders. Credit registries, institutions that collect and distribute credit information on borrowers, can greatly expand access to credit. By sharing credit information, they help lenders assess risk and allocate credit more efficiently. They also free entrepreneurs from having to rely on personal connections alone when trying to obtain credit.

Methodology

Credit information: three indicators are constructed

- depth of credit information index, which measures the extent to which the rules of a credit information system facilitate lending based on the scope of information distributed, the ease of access to information and the quality of information
- public registry coverage, which reports the number of individuals and firms covered by a public credit registry as a percentage of the adult population
- private bureau coverage, which reports the number of individuals and firms, covered by a private credit bureau as a percentage of the adult population

Legal Rights: the strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders. Ten points are analyzed:

- Can a business use movable assets as collateral while keeping possession of the assets, and can any financial institution accept such assets as collateral?
- Does the law allow a business to grant a non-possessory security right in a single category of revolving movable assets, without requiring a specific description of the secured assets?
- Does the law allow a business to grant a non-possessory security right in substantially all of its assets, without requiring a specific description of the secured assets?
- Can a security right extend to future or after-acquired assets and extend automatically to the products, proceeds or replacements of the original assets?
- Is general description of debts and obligations permitted in collateral agreements and in registration documents, so that all types of obligations and debts can be secured by stating a maximum rather than a specific amount between the parties?
- Is a collateral registry in operation that is unified geographically and by asset type as well as being indexed by the name of the grantor of a security right?
- Are secured creditors paid first when a debtor defaults outside an insolvency procedure or when a business is liquidated?
- Are secured creditors subject to an automatic stay or moratorium on enforcement procedures when a debtor enters a court-supervised reorganization procedure?
- Are parties allowed to agree in a collateral agreement that the lender may enforce its security right out of court?

Legal Rights Survey Case Study

The Debtor:

- is a Private Limited Liability Company
- has its headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both debtor and creditor are 100% domestically owned.

Getting credit: collateral rules and credit information

Rankings are based on 2 subindicators

Regulations on nonpossessory security interests in movable property

62.5%
Strength of legal rights index
(0-10)

37.5%
Depth of credit information index
(0-6)

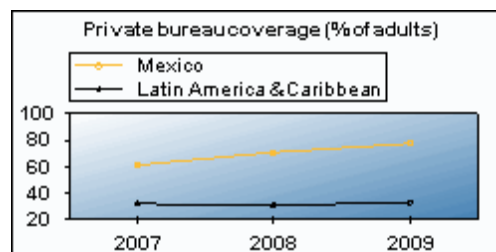
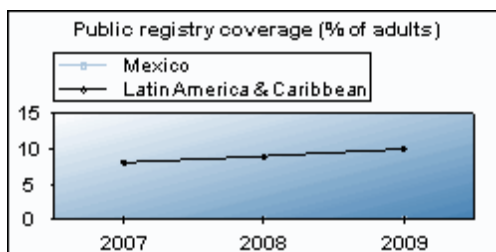
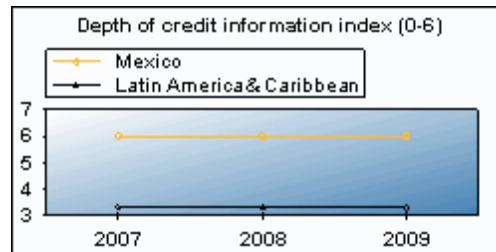
Scope, quality and accessibility of credit information through public and private credit registries

Note: Private bureau coverage and public registry coverage are measured but do not count for the rankings.

1. Historical data: Getting Credit in Mexico

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	59	61
Strength of legal rights index (0-10)	4	4	4
Depth of credit information index (0-6)	6	6	6
Private bureau coverage (% of adults)	61.2	70.8	77.5
Public registry coverage (% of adults)	0.0	0.0	0.0

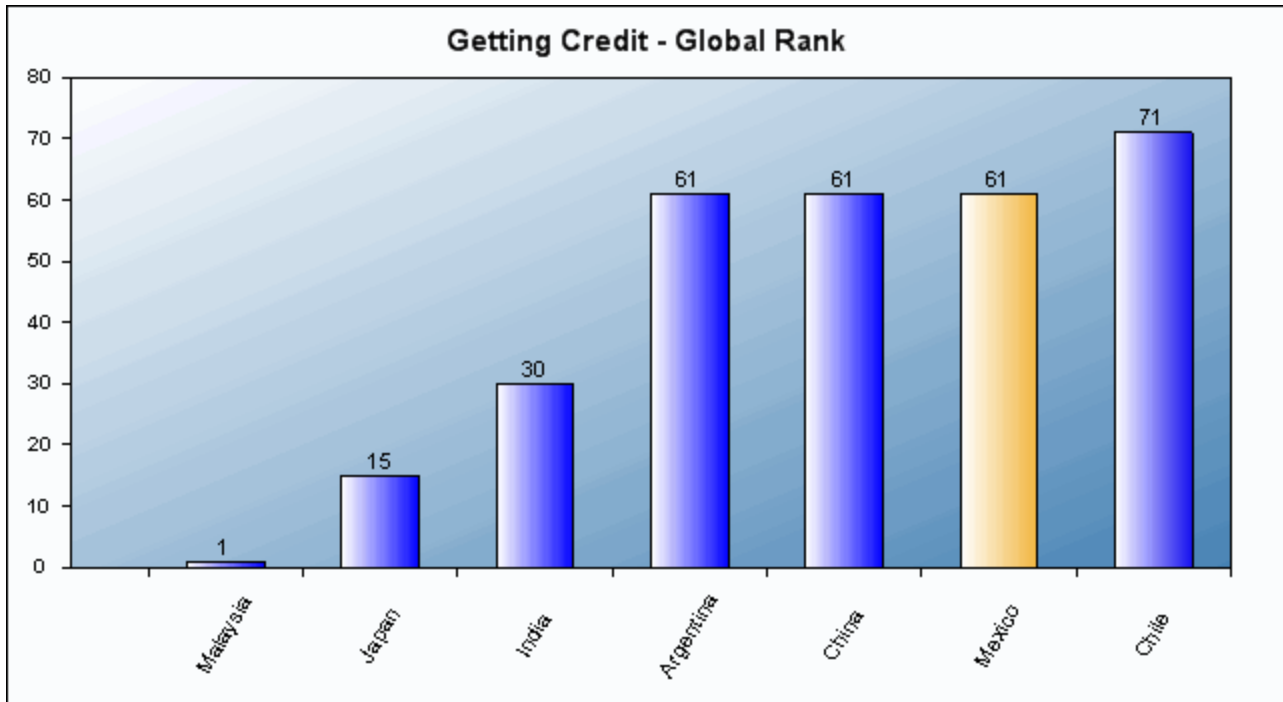
2. The following graphs illustrates the Getting Credit indicators in Mexico over the past 3 years:



3. Benchmarking Getting Credit Regulations:

Mexico is ranked 61 overall for Getting Credit.

Ranking of Mexico in Getting Credit - Compared to good practice and selected economies:



The following table shows Getting Credit data for Mexico compared to good practice and comparator economies:

Good Practice Economies	Strength of legal rights index (0-10)	Depth of credit information index (0-6)	Public registry coverage (% of adults)	Private bureau coverage (% of adults)
New Zealand*				100.0
Portugal			81.3	
Singapore*	10			
United Kingdom		6		

<i>Selected Economy</i>				
Mexico	4	6	0.0	77.5

<i>Comparator Economies</i>				
Argentina	4	6	34.3	100.0
Chile	4	5	32.9	33.9
China	6	4	62.1	0.0
India	8	4	0.0	10.2
Japan	7	6	0.0	76.2

* The following economies are also good practice economies for :

Strength of legal rights index (0-10): Hong Kong, China, Kenya, Kyrgyz Republic, Malaysia

Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States

27 countries have the highest credit information index.

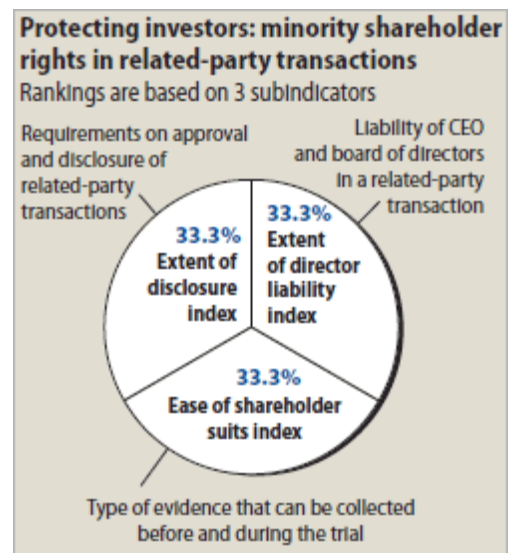
Protecting Investors

Companies grow by raising capital, either through a bank loan or by attracting equity investors. Selling shares allows companies to expand without the need to provide collateral and repay bank loans. However, investors worry about their money, and look for laws that protect them. A study finds that the presence of legal and regulatory protections for investors explains up to 73% of the decision to invest. In contrast, company characteristics explain only between 4% and 22%*. Good protections for minority shareholders are associated with larger and more active stock markets. Thus both governments and businesses have an interest in reforms strengthening investor protections.

Methodology

To document some of the protections investors have, Doing Business measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gain. Three indices of investor protection are constructed based on the answers to these and other questions. All indices range from 0 to 10, with higher values indicating more protections or greater disclosure. The three indices are:

- The extent of disclosure index covers approval procedures, requirements for immediate disclosure to the public and shareholders of proposed transactions, requirements for disclosure in periodic filings and reports and the availability of external review of transactions before they take place.
- The extent of director liability index covers the ability of investors to hold Mr. James and the board of directors liable for damages, the ability to rescind the transaction, the availability of fines and jail time associated with self-dealing, the availability of direct or derivative suits and the ability to require Mr. James to pay back his personal profits from the transaction.
- The ease of shareholder suits index covers the availability of documents that can be used during trial, the ability of the investor to examine the defendant and other witnesses, shareholders' access to internal documents of the company, the appointment of an inspector to investigate the transaction and the standard of proof applicable to a civil suit against the directors.



These three indices are averaged to create the strength of investor protection index.

Survey case study

Mr. James, a director and the majority shareholder of a public company, proposes that the company purchase used trucks from another company he owns. The price is higher than the going price for used trucks. The transaction goes forward. All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to the purchasing company. Shareholders sue the interested parties and the members of the board of directors.

Several questions arise:

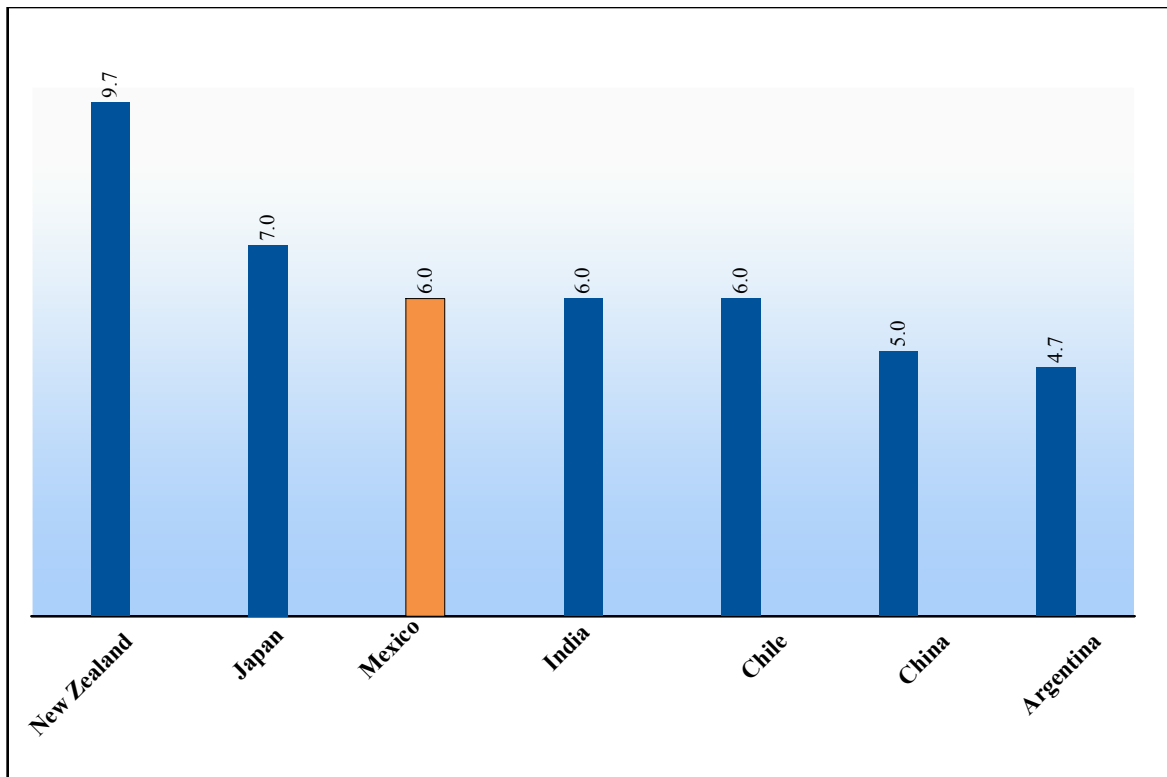
- Who approves the transaction?
- What information must be disclosed?
- What company documents can investors access?
- What do minority shareholders have to prove to get the transaction stopped or to receive compensation from Mr. James?

*Dojidge, Kardy and Stulz (2007)

1. Historical data: Protecting Investors in Mexico

Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	38	41
Strength of investor protection index (0-10)	6.0	6.0	6.0

2. The following graph illustrates the Protecting Investors index in Mexico compared to best practice and selected Economies:

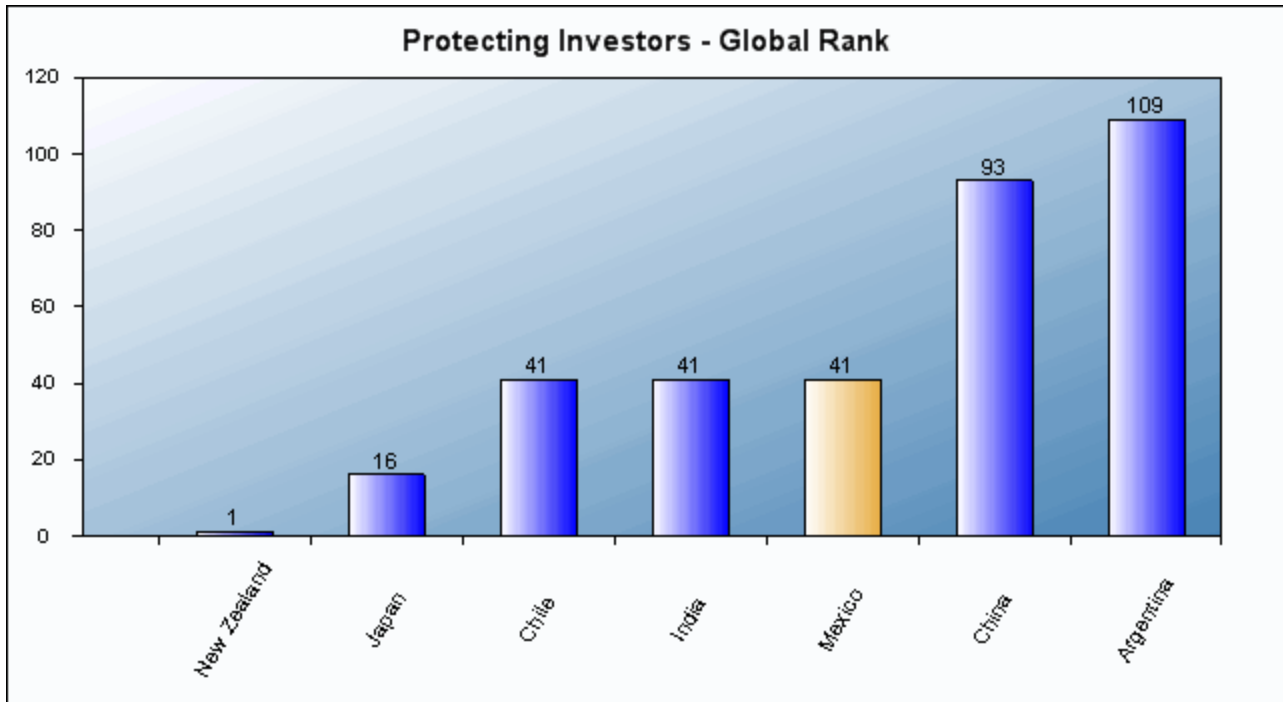


Note: The higher the score, the greater the investor protection.

3. Benchmarking Protecting Investors Regulations:

Mexico is ranked 41 overall for Protecting Investors.

Ranking of Mexico in Protecting Investors - Compared to good practice and selected economies:



The following table shows Protecting Investors data for Mexico compared to good practice and comparator economies:

Good Practice Economies	Strength of investor protection index (0-10)
New Zealand	9.7

<i>Selected Economy</i>	
Mexico	6.0

<i>Comparator Economies</i>	
Argentina	4.7
Chile	6.0
China	5.0
India	6.0
Japan	7.0

Paying Taxes

Taxes are essential. Without them there would be no money to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. But particularly for small and medium size companies, they may opt out and choose to operate in the informal sector. One way to enhance tax compliance is to ease and simplify the process of paying taxes for such businesses.

Methodology

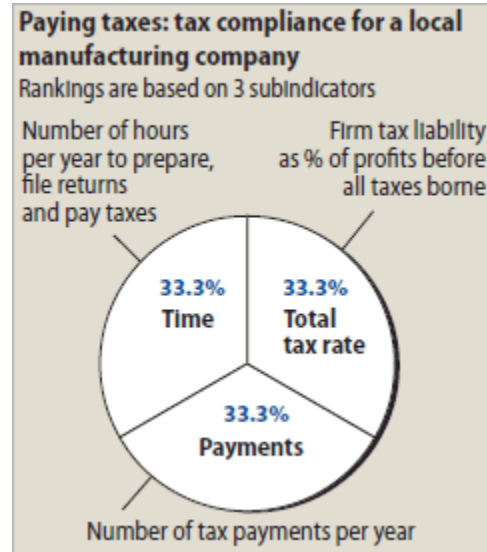
The Doing Business tax survey records the effective tax that a small and medium company must pay and the administrative costs of doing so.

Three indicators are constructed:

- number of tax payments, which takes in to account the method of payment, the frequency of payments and the number of agencies involved in our standardized case study.
- time, which measures the number of hours per year necessary to prepare and file tax returns and to pay the corporate income tax, value added tax, sales tax or goods and service tax and labor taxes and mandatory contributions.
- total tax rate, which measures the amount of taxes and mandatory contributions payable by the company during the second year of operation. This amount, expressed as a percentage of commercial profit, is the sum of all the different taxes payable after accounting for various deductions and exemptions.

Survey case study

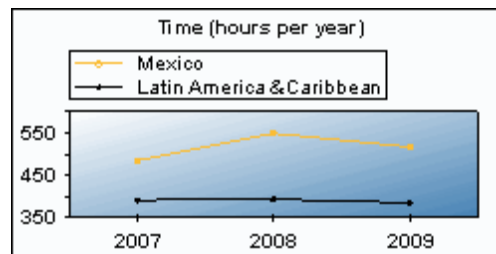
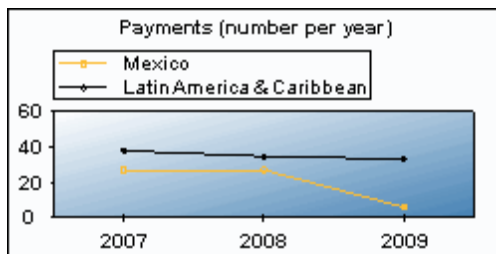
- TaxpayerCo is a medium-size business that started operations last year. Doing Business asks tax practitioners in 183 economies to review TaxpayerCo's financial statements and a standard list of transactions that the company completed during the year. Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government and include corporate income tax, turnover tax, all labor taxes and contributions paid by the company (including mandatory contributions paid to private pension or insurance funds), property tax, property transfer tax, dividend tax, capital gains tax, financial transactions tax, vehicle tax, sales tax and other small taxes (such as fuel tax, stamp duty and local taxes). A range of standard deductions and exemptions are also recorded.



1. Historical data: Paying Taxes in Mexico

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	149	106
Total tax rate (% profit)	52.3	51.5	51.0
Payments (number per year)	27	27	6
Time (hours per year)	485	549	517

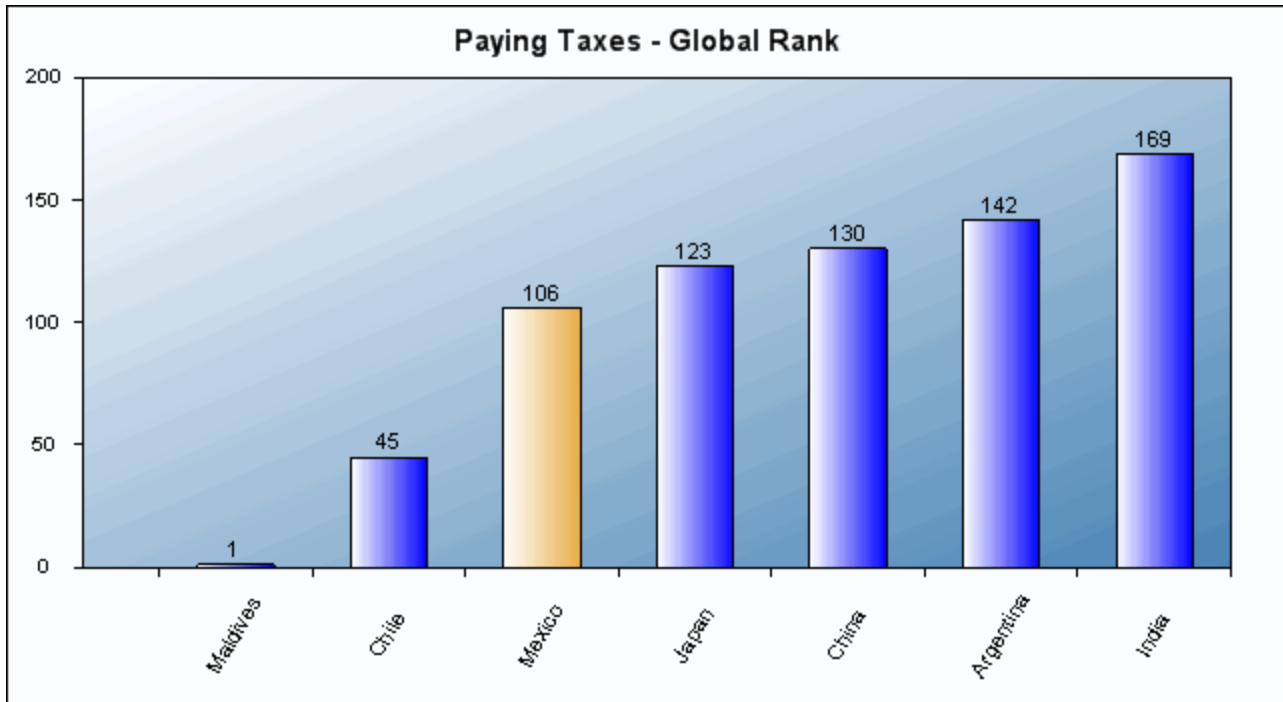
2. The following graphs illustrates the Paying Taxes indicators in Mexico over the past 3 years:



3. Benchmarking Paying Taxes Regulations:

Mexico is ranked 106 overall for Paying Taxes.

Ranking of Mexico in Paying Taxes - Compared to good practice and selected economies:



The following table shows Paying Taxes data for Mexico compared to good practice and comparator economies:

Good Practice Economies	Payments (number per year)	Time (hours per year)	Total tax rate (% profit)
Maldives*	1	0	
Timor-Leste			0.2

<i>Selected Economy</i>			
Mexico	6	517	51.0

<i>Comparator Economies</i>			
Argentina	9	453	108.1
Chile	10	316	25.3
China	7	504	78.5
India	59	271	64.7
Japan	13	355	55.7

* The following economies are also good practice economies for :

Payments (number per year): Qatar

Trading Across Borders

The benefits of trade are well documented; as are the obstacles to trade. Tariffs, quotas and distance from large markets greatly increase the cost of goods or prevent trading altogether. But with bigger ships and faster planes, the world is shrinking. Global and regional trade agreements have reduced trade barriers. Yet Africa's share of global trade is smaller today than it was 25 years ago. So is the Middle East's, excluding oil exports. Many entrepreneurs face numerous hurdles to exporting or importing goods, including delays at the border. They often give up. Others never try. In fact, the potential gains from trade facilitation may be greater than those arising from only tariff reductions.

Methodology

Doing Business compiles procedural requirements for trading a standard shipment of goods by ocean transport. Every procedure and the associated documents, time and cost, for importing and exporting the goods is recorded, starting with the contractual agreement between the two parties and ending with delivery of the goods. For importing the goods, the procedures measured range from the vessel's arrival at the port of entry to the shipment's delivery at the importer's warehouse. For exporting the goods, the procedures measured range from the packing of the goods at the factory to their departure from the port of exit. Payment is by letter of credit and the time and cost for issuing or securing a letter of credit is taken into account.

Documents recorded include port filing documents, customs declaration and clearance documents, as well as official documents exchanged between the parties to the transaction. Time is recorded in calendar days, from the beginning to the end of each procedure. Cost includes the fees levied on a 20-foot container in U.S. dollars.

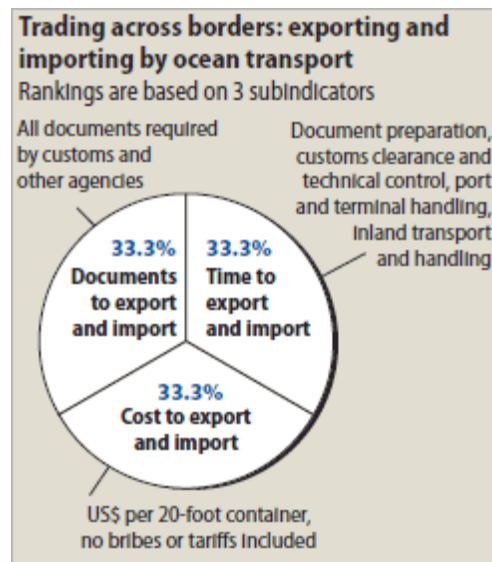
All the fees associated with completing the procedures to export or import the goods are included, such as costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include tariffs or duties.

Economies that have efficient customs, good transport networks and fewer document requirements, making compliance with export and import procedures faster and cheaper, are more competitive globally. That can lead to more exports; and exports are associated with faster growth and more jobs. Conversely, a need to file many documents is associated with more corruption in customs. Faced with long delays and frequent demands for bribes, many traders may avoid customs altogether. Instead, they smuggle goods across the border. This defeats the very purpose in having border control of trade to levy taxes and ensure high quality of goods.

Survey case study

To make the data comparable across countries, several assumptions about the business and the traded goods are used:

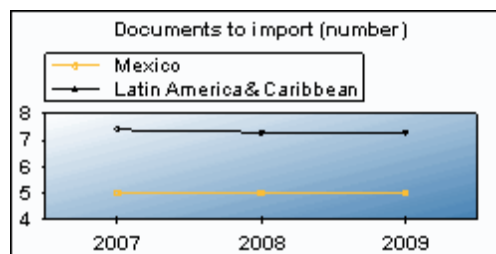
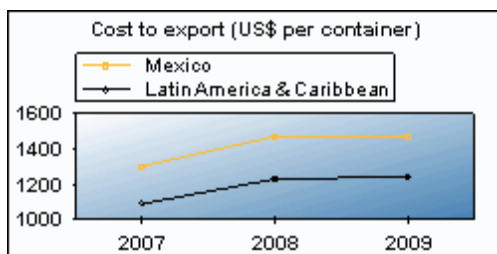
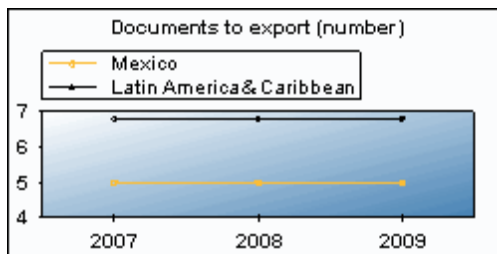
- The business is of medium size.
- The business employs 60 people.
- The business is located in the peri-urban area of the economy's largest business city.
- The business is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the economy.
- The traded goods are ordinary, legally manufactured products transported in a dry-cargo, 20-foot FCL (full container load) container.

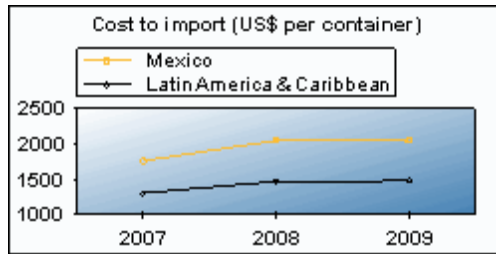
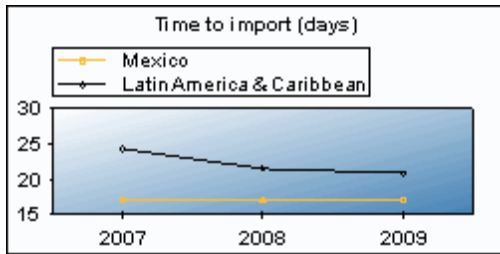


1. Historical data: Trading Across Borders in Mexico

Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	69	74
Cost to export (US\$ per container)	1302	1472	1472
Cost to import (US\$ per container)	1761	2050	2050
Documents to export (number)	5	5	5
Documents to import (number)	5	5	5
Time to export (days)	14	14	14
Time to import (days)	17	17	17

2. The following graphs illustrates the Trading Across Borders indicators in Mexico over the past 3 years:

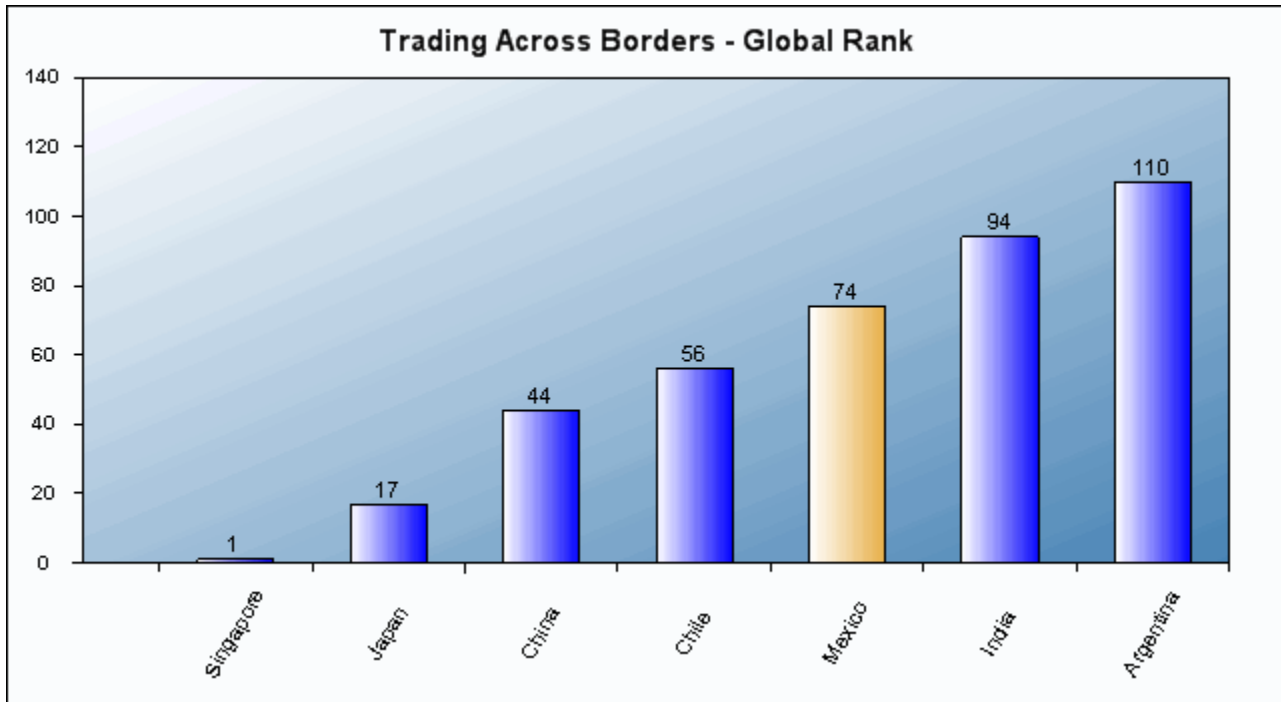




3. Benchmarking Trading Across Borders Regulations:

Mexico is ranked 74 overall for Trading Across Borders.

Ranking of Mexico in Trading Across Borders - Compared to good practice and selected economies:



The following table shows Trading Across Borders data for Mexico compared to good practice and comparator economies:

Good Practice Economies	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
Denmark*		5				
France	2			2		
Malaysia			450			
Singapore					3	439

<i>Selected Economy</i>						
Mexico	5	14	1472	5	17	2050

<i>Comparator Economies</i>						
Argentina	9	13	1480	7	16	1810
Chile	6	21	745	7	21	795
China	7	21	500	5	24	545
India	8	17	945	9	20	960
Japan	4	10	989	5	11	1047

* The following economies are also good practice economies for :

Time to export (days): Estonia

Enforcing Contracts

Where contract enforcement is efficient, businesses are more likely to engage with new borrowers or customers. Doing Business tracks the efficiency of the judicial system in resolving a commercial dispute, following the step-by-step evolution of a commercial sale dispute before local courts. The data is collected through study of the codes of civil procedure and other court regulations as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

Justice delayed is often justice denied. And in many economies only the rich can afford to go to court. For the rest, justice is out of reach. In the absence of efficient courts, firms undertake fewer investments or business transactions. And they prefer to involve only a small group of people who know each other from previous dealings.

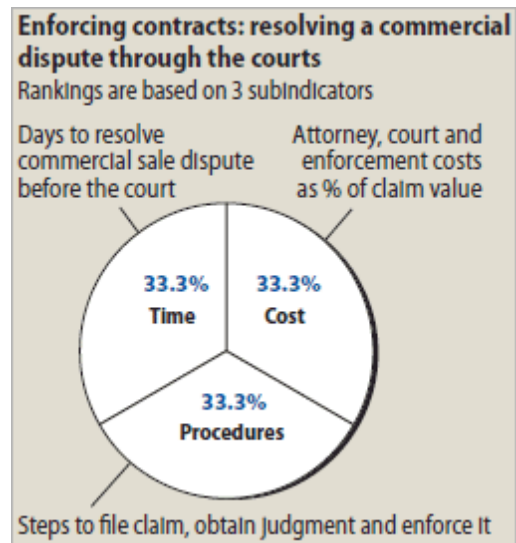
Methodology

Rankings on enforcing contracts are based on 3 sub-indicators:

- number of procedures, which are defined as any interaction between the parties or between them and the judge or court officer. This includes steps to file the case, steps for trial and judgment and steps necessary to enforce the judgment.
- time, which counts the number of calendar days from the moment the Seller files the lawsuit in court until payment is received. This includes both the days on which actions take place and the waiting periods in between.
- cost, which is recorded as a percentage of the claim (assumed to be equivalent to 200% of income per capita). Three types of costs are recorded: court costs (including expert fees), enforcement costs (including costs for a public sale of Buyer's assets) and attorney fees.

Survey case Study

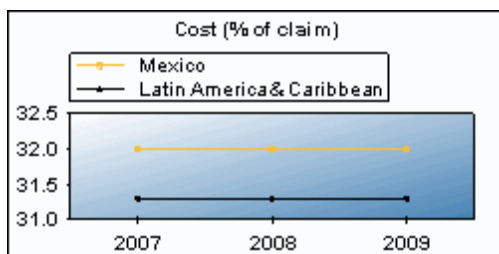
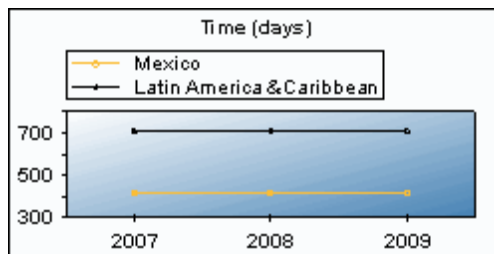
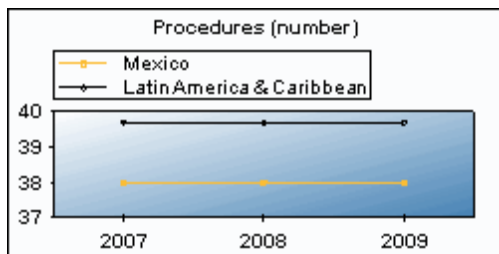
- The dispute concerns a contract for the sale of goods between two businesses (the Seller and the Buyer).
- Both are located in the economy's largest business city.
- The Seller sells and delivers goods, worth 200% of the economy's income per capita, to the Buyer. The Buyer refuses to pay on the grounds that they were not of adequate quality.
- The Seller sues the Buyer to recover the amount under the sales agreement (200% of the economy's income per capita).
- The claim is filed before a court in the economy's largest business city with jurisdiction over commercial cases worth 200% of the income per capita and is disputed on the merits.
- Judgment is 100% in favor of the Seller and is not appealed.
- The Seller enforces the judgment and the money is successfully collected through a public sale of Buyer's assets.



1. Historical data: Enforcing Contracts in Mexico

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	76	81
Procedures (number)	38	38	38
Time (days)	415	415	415
Cost (% of claim)	32.0	32.0	32.0

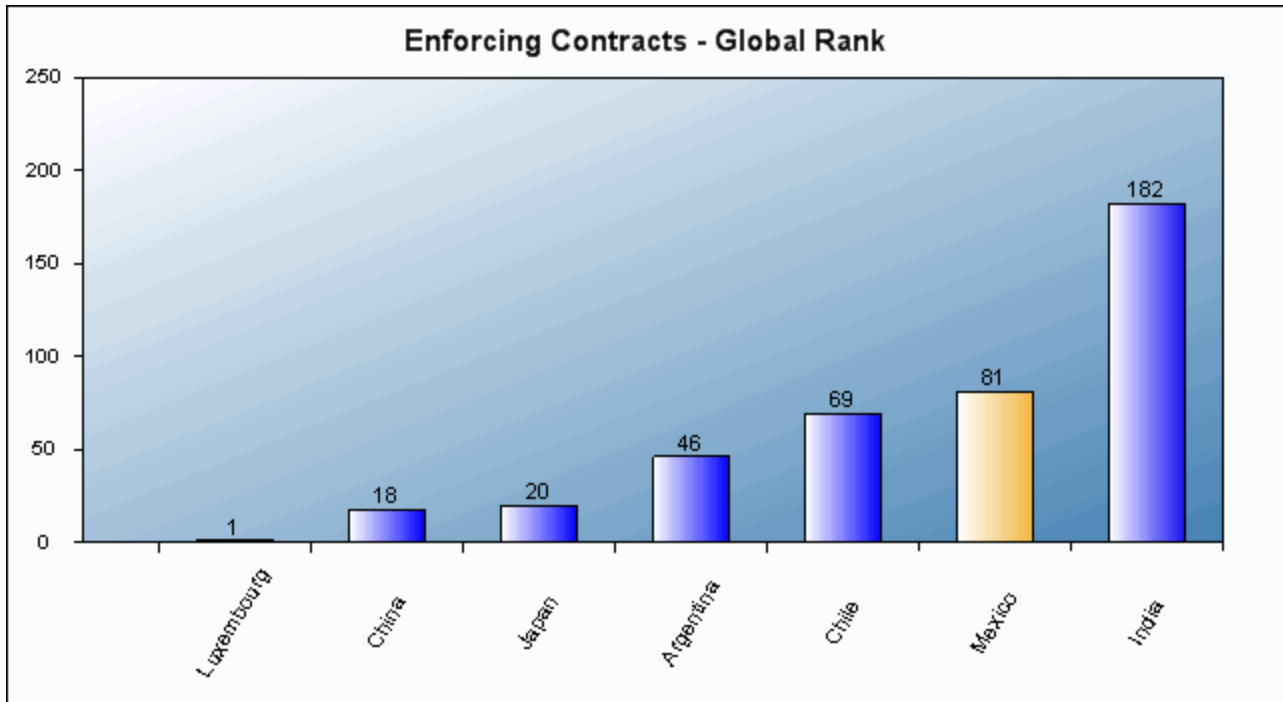
2. The following graphs illustrates the Enforcing Contracts indicators in Mexico over the past 3 years:



3. Benchmarking Enforcing Contracts Regulations:

Mexico is ranked 81 overall for Enforcing Contracts.

Ranking of Mexico in Enforcing Contracts - Compared to good practice and selected economies:



The following table shows Enforcing Contracts data for Mexico compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of claim)
Bhutan			0.1
Ireland	20		
Singapore		150	

<i>Selected Economy</i>			
Mexico	38	415	32.0

<i>Comparator Economies</i>			
Argentina	36	590	16.5
Chile	36	480	28.6
China	34	406	11.1
India	46	1420	39.6
Japan	30	360	22.7

Closing a Business

The economic crises of the 1990s in emerging markets, from East Asia to Latin America, from Russia to Mexico, raised concerns about the design of bankruptcy systems and the ability of such systems to help reorganize viable companies and close down unviable ones. In countries where bankruptcy is inefficient, unviable businesses linger for years, keeping assets and human capital from being reallocated to more productive uses.

Bottlenecks in bankruptcy cut into the amount claimants can recover. In countries where bankruptcy laws are inefficient, this is a strong deterrent to investment. Access to credit shrinks, and nonperforming loans and financial risk grow because creditors cannot recover overdue loans. Conversely, efficient bankruptcy laws can encourage entrepreneurs. The freedom to fail, and to do so through an efficient process, puts people and capital to their most effective use. The result is more productive businesses and more jobs.

The Doing Business indicators identify weaknesses in the bankruptcy law as well as the main procedural and administrative bottlenecks in the bankruptcy process. In many developing countries bankruptcy is so inefficient that creditors hardly ever use it. In countries such as these, reform would best focus on improving contract enforcement outside bankruptcy.

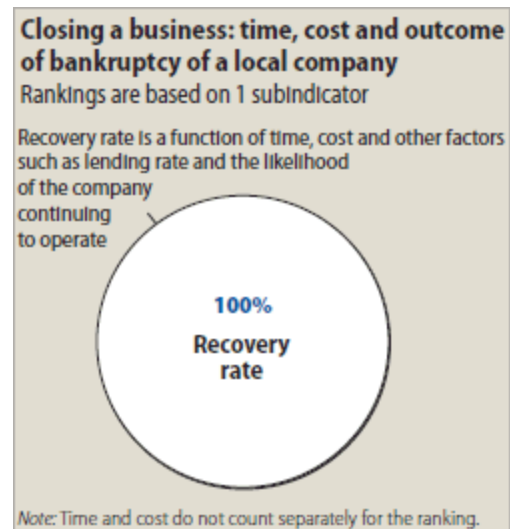
Methodology

Three measures are constructed from the survey responses: the time to go through the insolvency process, the cost to go through the process and the recovery rate, how much of the insolvency estate is recovered by stakeholders, taking into account the time, cost, depreciation of assets and the outcome of the insolvency proceeding.

Survey case study

The data on closing a business are developed using a standard set of case assumptions to track a company going through the step-by-step procedures of the bankruptcy process. It is assumed that:

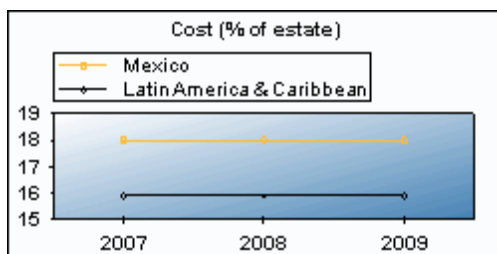
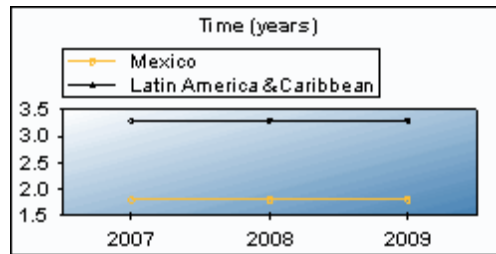
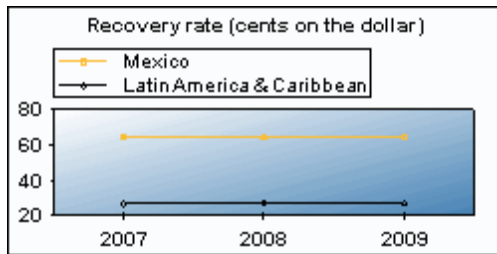
- the company is a domestically owned
- the company is a limited liability corporation operating a hotel in the country's largest business city
- the company has 201 employees, 1 main secured creditor and 50 unsecured creditors
- Assumptions are also made about the future cash flows.
- The case is designed so that the company has a higher value as a going concern, that is, the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation.
- The data are derived from questionnaires answered by attorneys at private law firms.



1. Historical data: Closing Business in Mexico

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	24	24
Time (years)	1.8	1.8	1.8
Cost (% of estate)	18	18	18
Recovery rate (cents on the dollar)	64.6	64.2	64.2

2. The following graphs illustrates the Closing Business indicators in Mexico over the past 3 years:



3. Benchmarking Closing Business Regulations:

Mexico is ranked 24 overall for Closing a Business.

Ranking of Mexico in Closing Business - Compared to good practice and selected economies:



The following table shows Closing Business data for Mexico compared to good practice and comparator economies:

Good Practice Economies	Recovery rate (cents on the dollar)	Time (years)	Cost (% of estate)
Ireland		0.4	
Japan	92.5		
Singapore*			1

<i>Selected Economy</i>			
Mexico	64.2	1.8	18

<i>Comparator Economies</i>			
Argentina	29.8	2.8	12
Chile	21.3	4.5	15
China	35.3	1.7	22
India	15.1	7.0	9
Japan	92.5	0.6	4

* The following economies are also good practice economies for :

Cost (% of estate): Colombia, Kuwait, Norway

Doing Business 2010 Reforms

Number of reforms in Doing Business 2010

Rank	Economy	Reforms									Total number of reforms	
		Starting a Business	Dealing with Construction Permits	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts		Closing a Business
1	Rwanda	✓		✓	✓	✓	✓		✓		✓	7
2	Kyrgyz Republic	✓	✓	✓	✓	✓		✓	✓			7
3	Macedonia, FYR	✓	✓	✓	✓	✓	✓	✓				7
4	Belarus	✓	✓	✓	✓			✓	✓			6
5	United Arab Emirates	✓	✓						✓			3
6	Moldova	✓			✓			✓				3
7	Colombia	✓	✓		✓	✓	✓	✓	✓		✓	8
8	Tajikistan	✓	✓		✗	✓	✓				✓	5
9	Egypt, Arab Rep.	✓	✓			✓			✓			4
10	Liberia	✓	✓					✓				3
	Mexico	✓						✓				2
	Chile											
	Japan											
	Argentina	✓			✗							1
	China							✓				1
	India									✓		1

Note: Economies are ranked on the number and impact of reforms, Doing Business selects the economies that reformed in 3 or more of the Doing Business topics. Second, it ranks these economies on the increase in rank in Ease of Doing Business from the previous year. The larger the improvement, the higher the ranking as a reformer.

Argentina	Argentina made it more difficult to register property by requiring declarations for all transactions over AR\$300,000. Business start-up was eased with an expedited publication process.
Belarus	Belarus eased the process for getting construction permits by simplifying approval processes. Restrictions relating to redundancy dismissals were eased by raising the threshold for prior notification requirements. Tax payments were made more convenient through increased use of electronic systems—reducing tax compliance times—while lower ecological and turnover tax rates and a reduction in the number of payments for property tax reduced the tax burden on businesses. Property registration continues to improve, with faster processing and elimination of the requirement for notarization. Business start-up was eased by simplifying registration formalities, abolishing the minimum capital requirement, limiting the role of notaries, and removing the need for a company seal approval. Implementation of a risk-based management system and improvement of border crossing operations reduced transit times for trade.
Chile	In Chile no major reform was recorded.
China	China's State Administration of Foreign Exchange relaxed trade credit restrictions in response to the economic and financial crisis. Foreign exchange authorization is no longer required.
Colombia	Colombia passed several decrees continuing its efforts to regulate the profession of insolvency administrators. The government eased the construction permit process with a new construction decree that categorizes building projects based on risk and allows electronic verification for certain documents. Access to credit improved thanks to a new credit information law that guarantees the right of borrowers to inspect their own data and new rules that make it mandatory for credit providers to consult and share information with credit bureaus. The tax burden on businesses was eased with the introduction of electronic tax filing and payment, and some payments were reduced. An amendment to the Company Law strengthened investor protections by making it easier to sue directors in cases of prejudicial transactions between interested parties. Property registration was made easier by making it possible to obtain required certificates online and by making standard preliminary sale agreements available free of charge. Business start-up was made easier by creating a public-private health provider that enables faster affiliation of employees and through a tool that allows online pre-enrollment with the social security office. Implementation of an electronic declaration system has expedited customs clearance.
Egypt, Arab Rep.	The Arab Republic of Egypt, a former global leading reformer and a regional leading reformer in 2008/09, continued to make it easier to deal with construction permits by issuing executive articles for the 2008 construction law and eliminating most preapprovals for construction permits. Contract enforcement was expedited with the creation of commercial courts. Access to credit information has expanded with the addition of retailers to the database of the private credit bureau. Finally, company start-up was eased by the removal of the minimum capital requirement.
India	In India procedures under the 2002 Securitization Act have become more effective, easing the process and reducing the time required to close a business.
Japan	In Japan no major reform was recorded.
Kyrgyz Republic	The Kyrgyz Republic eased the process for getting construction permits by streamlining the fee structure, introducing a risk-based system of approval and building control, allowing low-risk projects to conduct an internal building control process, and simplifying the process for obtaining utility connections. Requirements relating to redundancy dismissals and worker reassignment were eased. Access to credit was enhanced by making secured lending more flexible and allowing general descriptions of encumbered assets and of debts and obligations. In addition, amendments to the Civil Code provide for automatic extension of security rights to proceeds of the original assets. The tax burden on businesses was eased by reducing the rates for several taxes and the number of payments for several. Surveying and notarization requirements were made optional for property registration, and business start-up was eased by eliminating the minimum capital requirement, reducing the registration time, and abolishing various post-registration fees and the need to open a bank account before registration. The elimination of six previously required documents and the simplification of inspection procedures has sped up trading across borders.

Liberia	Liberia eased the process for getting construction permits by lowering the permit fee and cost of obtaining a power generator, abolishing the requirement to obtain a tax waiver certificate before submitting documents to obtain a building permit, and making fixed telephone connections more readily available for public use with the reopening of the national phone company. Business start-up was eased by removing the need to obtain an environmental impact assessment when forming a general trading company. The trade process was expedited by creating a one-stop shop bringing together various ministries and agencies, and streamlining the inspection regime.
Macedonia, FYR	The Former Yugoslav Republic of Macedonia has been reforming the construction permit process, shortening waiting times but raising fees. Worker hiring was made more flexible by allowing greater use of fixed-term contracts, easing restrictions on working hours, and making redundancy dismissals more flexible. The public credit bureau increased its coverage by introducing a better database that includes more information and by lowering the minimum loan threshold. Social security payments were classified in five groups, and social security contribution rates reduced. Investor protections were increased by regulating the approval of transactions between interested parties, increasing disclosure requirements in annual reports, and making it easier to sue directors in cases of prejudicial transactions between interested parties. Property registration was eased with the introduction of new time limits at the real estate cadastre—reducing the average time to register a title deed by eight days—and a non-encumbrance certificate can now be obtained from the real estate registry instead of through the court. Business start-up was simplified by integrating procedures at a one-stop shop.
Mexico	Mexico eased taxpaying by introducing electronic payment systems for payroll, property, and social security taxes. Business start-up was eased by establishing an electronic platform for company registration, substantially reducing the number of days for registration, and eliminating the requirement to register with the statistical office.
Moldova	Moldova lowered the rates for social security contributions paid by employers. Property registration was simplified by eliminating the requirement for a cadastral sketch, reducing procedures from six to five and days from 48 to 5. Business start-up was eased by implementing an expedited company registration service.
Rwanda	Rwanda improved the process for dealing with distressed companies with a new law aimed at streamlining reorganization. Employing workers was made easier by abolishing the maximum duration for fixed-term contracts and allowing unlimited renewals of such contracts, as well as by allowing redundancy procedures to be more flexible, with consultation and notification of third parties no longer required. Getting credit was made easier with a new secured transactions act and insolvency act to make secured lending more flexible, allowing a wider range of assets to be used as collateral and a general description of debts and obligations. In addition, out of court enforcement of collateral has become available to secured creditors, who also now have top priority within bankruptcy. A new company law has strengthened investor protections by requiring greater corporate disclosure, director liability, and shareholder access to information. Property registration was simplified by decreasing the number of days required to transfer a property. Business start-up was eased by eliminating a notarization requirement; introducing standardized memorandums of association; enabling online publication; consolidating name checking, registration fee payment, tax registration, and company registration procedures; and shortening the time required to process completed applications. By implementing administrative changes—such as increased operating hours and enhanced cooperation at the border, along with the removal of some documentation requirements for importers and exporters—Rwanda has improved trading times.
Tajikistan	Tajikistan amended its insolvency law, aiming to reduce statutory time limits and the costs of proceedings. Changes were introduced that simplified the construction permit process, reducing procedures and time. A new law on credit histories improves access to credit information by creating a private credit bureau. Investor protections were strengthened with amendments to the joint stock company law, increasing disclosure requirements for transactions involving conflicts of interest, allowing for greater director liability, and giving shareholders the chance to request that harmful related-party transactions be rescinded. The state duty for property transfer has quadrupled, raising the cost of registering property by 2.8 percent of a property's value. Business start-up was eased by reducing the minimum capital requirement and shortening the time to obtain a tax identification number.

United Arab Emirates

The United Arab Emirates shortened the time for delivering building permits by improving its online system for processing applications. Business start-up was eased by simplifying the documents needed for registration, abolishing the minimum capital requirement, and removing the requirement that proof of deposit of capital be shown for registration. Greater capacity at the container terminal, elimination of the terminal handling receipt as a required document, and an increase in trade finance products, have improved trade processes.

APPENDICES

Starting a Business in Mexico

This table summarizes the procedures and costs associated with setting up a business in Mexico.

STANDARDIZED COMPANY

Legal Form: Sociedad Anónima (S.A.) - Corporation

Minimum Capital Requirement:

City: Mexico City

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Obtain the authorization of using the company name from the Ministry of Foreign Affairs (Secretaría de Relaciones Exteriores)	2	705
2	Sign the deed of incorporation before a notary public and obtain tax registration number	2	10500
3	Register the deed in the Public Register of Commerce	3	1520
4 *	Register at the Ministry of Finance and Credit, Secretaría de Hacienda y Crédito Público, to obtain the tax ID number : Registro Federal de Contribuyentes "RFC"	2	0
5	Register with the Mexican Social Security Institute (IMSS)	3	0
6	Register with the local tax administration (Secretaría de Finanzas del Gobierno del Distrito Federal) for payroll tax	1	0
7	Notice of opening a mercantile establishment before local government (Delegación)	1	0
8	Register with the National Business Information Registry (Sistema de Información Empresarial, SIEM)	1	385

* Takes place simultaneously with another procedure.

Procedure 1 Obtain the authorization of using the company name from the Ministry of Foreign Affairs (Secretaría de Relaciones Exteriores)

Time to complete: 2

Cost to complete: 705

Comment:

Procedure 2 Sign the deed of incorporation before a notary public and obtain tax registration number

Time to complete: 2

Cost to complete: 10500

Comment: If the notary public drafts or provides expert advice on the company bylaws, notary fees are generally high, from MXN 5,000 to MXN 11,000. The company charter and bylaws must be drafted before appearing before a notary public. The signing of the deed takes only a day; however, the notary may take 1–2 days to deliver the deed of incorporation.

Certain notaries in Mexico City have signed an agreement with the Ministry of Finance and Public Credit (Secretaría de Hacienda y Crédito Público) (through the Sistema de Administración Tributaria, SAT) to grant the tax registration number. The notary who issues the tax registration number must also issue the deed of incorporation. The program requires specific software, equipment, and stationary which is not common practise.

Procedure 3 Register the deed in the Public Register of Commerce

Time to complete: 3

Cost to complete: 1520

Comment:

Procedure 4 Register at the Ministry of Finance and Credit,Secretaría de Hacienda y Crédito Público, to obtain the tax ID number : Registro Federal de Contribuyentes "RFC"

Time to complete: 2

Cost to complete: 0

Comment: The company must obtain a tax ID number (Registro Federal de Contribuyentes "RFC") at the Ministry of Finance and Credit, Secretaría de Hacienda y Crédito Público. An appointment, has to be done to obtain the tax ID number, which is granted 7 days after. The same day is possible to obtain a password called CIEC, to file tax procedures on a website.

The authority of certain notaries in Mexico City to issue tax registration numbers was reinstated. This tool facilitates setting up a company since two very important procedures (granting of the incorporation deed and obtaining federal tax registration number) may be done with the same notary public on a simultaneous basis, however is not implemented across all notaries for the moment.

Therefore, it takes 7 days to get the appointment and you can get the tax number the same day. Moreover, this procedure is simultaneous with procedure the registration process.

Procedure 5 Register with the Mexican Social Security Institute (IMSS)

Time to complete: 3

Cost to complete: 0

Comment: The company must register with the Mexican Social Security Institute (IMSS) and the National Workers' Housing Fund Institute (INFONAVIT) and open individual retirement savings accounts for employees. The registration is conducted before the IMSS delegation (delegación) in the company's jurisdiction. On average, the delegations take 2–5 days but some take a week or longer.

Procedure 6 Register with the local tax administration (Secretaría de Finanzas del Gobierno del Distrito Federal) for payroll tax

Time to complete: 1

Cost to complete: 0

Comment: The company must register with the local tax administration after registering with the IMSS. The local office can be found at www.finanzas.df.gob.mx. The tax registration number and the company's postal code are required to register.

Procedure 7 Notice of opening a mercantile establishment before local government (Delegación)

Time to complete: 1

Cost to complete: 0

Comment: The notice has to be given after receiving the tax registration number. Since February 2004, notice can be given via the Internet (through SAEM www.apertura.df.gob.mx)

Procedure 8 Register with the National Business Information Registry (Sistema de Información Empresarial, SIEM)

Time to complete: 1

Cost to complete: 385

Comment: Mandatory registration with the National Business Information Registry (Sistema de Información Empresarial, SIEM) has been in effect since January 1997. The company will be registered with the specific chamber corresponding to its corporate purpose or activities. The cost varies with the number of employees and the company's activities as shown below.

Fees for industry related activities (maximum fees)

-6 or more employees \$ 670

-3 to 5 employees \$ 350

-Up to 2 employees \$ 150

Fees for commercial and services related activities (maximum fees)

-4 or more employees \$ 640

-3 or less employees \$ 300

-Up to 2 employees \$ 100

The costs can vary from MXN \$100 to MXN \$670

Dealing with Construction Permits in Mexico

The table below summarizes the procedures, time, and costs to build a warehouse in Mexico.

BUILDING A WAREHOUSE

Date as of: January 2009

Estimated Warehouse Value:

City: Mexico City

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Request and obtain the alignment certificate (alineamiento) and official number (número oficial)	15 days	MXN 660
2	Request and obtain single zoning certificate stating specific land use and feasibility	75 days	MXN 752
3	Request water and sewage services and pay the corresponding fees for service contracting	1 day	MXN 42,482
4 *	Register Construction Statement Type B	1 day	MXN 81,063
5	Request and connect to water and sewage services	30 days	no charge
6 *	Request and connect to electrical power service	20 days	MXN 470
7 *	Request and connect to a regular telephone line	4 days	MXN 1,300
8	Notify the Municipal Authority on construction work completion	1 day	no charge
9	Receive inspection on construction work completion from Directorate of General Works	1 day	no charge
10	Request and obtain use an occupancy clearance	6 days	no charge
11	Request and obtain authorization from civil protection	7 days	no charge
12	Update the building record at the tax ministry	1 day	no charge

* Takes place simultaneously with another procedure.

Procedure 1 Request and obtain the alignment certificate (alineamiento) and official number (número oficial)

Time to complete: 15 days

Cost to complete: MXN 660

Comment: The relevant agencies for this procedure are the Delegational One-Stop Shop (Ventanilla Única Delegacional), the Urban Development and Housing Ministry (Secretaría de Desarrollo Urbano y Vivienda), and the Federal District Department (Gobierno del Distrito Federal). Either a simple original copy or a certified one is acceptable.

For the official number, the Federal District Department will assign, at the request of the interested party, a single official number for each property that has a front facing the public pathway. For the official alignment: The plot across the land indicates the restrictions or expropriation lines to be respected in the interaction between the property and the public pathway. Obtaining the single zoning certificate stating specific land use and feasibility is required.

Requirements:

- Proof of payment of applicable real estate taxes (copy).
- Public deed certifying property or title ownership (original and copy).
- Payment of all fees.
- Application form (original).
- Identification of the person completing the procedure and document certifying the respective identity (original and copy).

Payment is made the same day when the certificate is requested. At the same time, a date is set for the taxpayer to return to receive the certificate, generally within 3 or 4 working days. The certificate is valid for 2 years.

The cost is established by the Financial Code of the Federal District, Articles 255 and 256: The official cost, official cost, as amended in December 2008 is the sum of the alignment at MXN 23.00 per linear meter of the front of the building plus a general fee for the official number at MXN 142.00. In this case, the front of building is assumed to be 22.5 meters, so the total cost would be MXN 659.50.

The official time limit is 8 days, but in practice, the process can take 1–2 weeks.

Procedure 2 Request and obtain single zoning certificate stating specific land use and feasibility

Time to complete: 75 days

Cost to complete: MXN 752

Comment: At this stage, BuildCo obtains the document that certifies whether a specific use of a given building is authorized. This certificate reflects the technical opinion of the competent administrative units and indicates whether water supply and sewage and rainwater drainage services are feasible. This procedure precedes the application for drinking water supply.

The Financial Code of the Federal District, Article 257, Section V, was amended in December 2008.

Procedure 3 Request water and sewage services and pay the corresponding fees for service contracting

Time to complete: 1 day

Cost to complete: MXN 42,482

Comment: The cost includes the installation of the main pipeline (51 millimeters), board, and meter. Procedure 4 is obtaining construction statement (type) B and Procedure 8 is notifying authorities of project completion.

The cost is established by the Financial Code of the Federal District, Article 202.

Procedure 4 Register Construction Statement Type B

Time to complete: 1 day

Cost to complete: MXN 81,063

Comment: Construction Statement Type B applies to nonresidential or mixed uses of up to 5,000 square meters or up to 10,000 square meters for residential use or for single-family dwelling units within a risk zone.

Requirements:

- Valid alignment certificate and official number (simple original copy or certified one).
- Single zoning certificate for specific land use and feasibility (simple original copy or certified copy for collation).
- Four copies of the architectural project for the construction work on duly outlined scale maps and containing all specifications regarding materials, finishes, and equipment to be used, signed by the owner, the director responsible for the construction work, and the co-responsible party for urban and architectural design and installations, as the case may be.
- Project descriptive report.
- Calculation report.
- Registration and identification card of the director responsible for the construction work and the co-responsible party for structural safety, urban and architectural design, and installations as appropriate (simple original copy or certified copy for collation).
- Two copies of the structural design signed by the director responsible for the construction work and the co-responsible party for structural safety.
- Proof of payment of improvement taxes for potable water and sewerage works provided by the Federal District Department and license issuance fees if the application is required (simple original copy or certified copy for collation). Because the building considered here requires installation or modification of the water main and hook-up to the sewage system, the application and proof of payment of the corresponding fees are attached.

After registration of the construction statement, the one-stop shop (Ventanilla Única Delegacional) reviews the submitted data and documents and verifies the progress of the construction work under the terms stated in the Administrative Verification Rules (Reglamento de Verificación Administrativa) for the Federal District.

The director responsible for the construction work undertakes to post at the construction work site, in a visible place and legible from the public pathway, a signboard showing the registration number in the construction work statement and the general construction work data, including the location and statement validity.

Statement validity (for construction work completion):

Up to 300 square meters: 1 year

300–1,000 square meters: 2 years

More than 1,000 square meters: 3 years

The cost is MXN\$62.00 per square meter, according to The Financial Code of the Federal District, Article 206, Section B, Fraction I, in this case, if the total area of warehouse is 1,300.6 m², the total cost of the Construction Statement Type B is MXN\$81,063.20.

Before commencement of construction work, the company must notify the water company

(Sistema de Aguas de la Ciudad de México) in writing. Since mid-2004, electronic notifications are acceptable.

Procedure 5 Request and connect to water and sewage services

Time to complete: 30 days

Cost to complete: no charge

Comment: If there is no need to perform additional work, hydraulic network hook-up can be obtained within approximately 2 weeks. The power company (Compañía de Luz y Fuerza del Centro) performs the work for the constructor to be able to connect the building to the hydraulic network.

Procedure 6 Request and connect to electrical power service

Time to complete: 20 days

Cost to complete: MXN 470

Comment: The assumed power supply is 140 kilowatts.

Article 23 of the Public Electrical Power Service Law states, “if no specific works need to be completed, the supplier shall provide the service within the following five working days as of the date of application filing.”

The 5-day time frame is valid if the user has made the necessary arrangements to receive power supply in accordance with the provisions in the corresponding official Mexican regulations.

If the supplier had to complete specific works, whether for a new supply or to change supply voltage at the request of the user, the supply should be provided within the terms stated by the supplier when the application is filed.

Requirements:

- User name, denomination, or trade name; and if applicable, a copy of the Federal Taxpayer Registry.
- Domicile address.
- Telephone number.
- Load and demand to be contracted.
- Officially validated legal agent’s personal identification or power of attorney (original and photocopy).
- Photocopy of articles of incorporation.
- Photocopy of private purchase, sale document, public deed of the purchase, and sale agreement, if the interested party is the owner of the real estate. If not, a photocopy of the lease contract is needed.
- In the case of electrical installations for high-tension voltage services or supply in densely populated locations, certification issued by a Verification Unit (Unidad de Verificación) approved by the Ministry of Energy (Secretaría de Energía).
- Check or cash in the amount of the security deposit.

The applicant pays a security deposit, according to the effective applicable tariffs, that amounts to USD 377.16 as of January 2006.

Procedure 7 Request and connect to a regular telephone line

Time to complete: 4 days

Cost to complete: MXN 1,300

Comment: For commercial telephone line installations, Telmex has established the following costs:
- Total installation cost: MXN 1299.5

The telephone line is requested and paid for at Telmex offices or through the Internet.

Procedure 8 Notify the Municipal Authority on construction work completion

Time to complete: 1 day

Cost to complete: no charge

Comment: The notification of completion is made in writing after the electricity connection has been completed. Once notified, inspectors may visit the location within a week, but this does not stop construction.

Procedure 9 Receive inspection on construction work completion from Directorate of General Works

Time to complete: 1 day

Cost to complete: no charge

Comment:

Procedure 10 Request and obtain use an occupancy clearance

Time to complete: 6 days

Cost to complete: no charge

Comment: Building use clearance is granted by the one-stop shop.

Procedure 11 Request and obtain authorization from civil protection

Time to complete: 7 days

Cost to complete: no charge

Comment: An inspection from the civil protection agency (Secretaria de Protección civil) will not be necessary - only for more complex installations. After the form and the emergency plan are filed, the civil protection authority will issue a certificate in 7 days.

Procedure 12 Update the building record at the tax ministry

Time to complete: 1 day

Cost to complete: no charge

Comment: The time and cost of updating the building record are established by the Financial Code of the Federal District, Article 217. The building is not actually registered with the Property Registry. Once built, a cadastral actualization document (manifestacion de actualizacion del valor cadastral) is filed, for tax purposes, with the Tax Ministry. The information in the new deed is updated only when the property (with the building included) is sold. In Mexico, the owner of the land is automatically the owner of the

building unless otherwise specified. Only in cases where the owner of the building and the owner of the property are two different people would the building be registered.

The Property Registry claims to have made some organizational changes that have reduced the time required for registration by 30 to 40 calendar days. The registry has reorganized its personnel and created specializations by transaction (transfer of deed, company registration, and the like).

Employing Workers in Mexico

Employing workers indices are based on responses to survey questions. The table below shows these responses in Mexico.

Employing Workers Indicators (2009)	Answer	Score
Difficulty of hiring index (0-100)		33.3
Are fixed-term contracts prohibited for permanent tasks?	Yes	1
What is the maximum duration of fixed-term contracts (including renewals)? (in months)	No limit	0.0
What is the ratio of mandated minimum wage to the average value added per worker?	0.10	0.00
Difficulty of redundancy index (0-10)		70.0
Is the termination of workers due to redundancy legally authorized?	Yes	0
Must the employer notify a third party before terminating one redundant worker?	Yes	1
Does the employer need the approval of a third party to terminate one redundant worker?	Yes	2
Must the employer notify a third party before terminating a group of 9 redundant workers?	Yes	1
Does the employer need the approval of a third party to terminate a group of 9 redundant workers?	Yes	1
Is there a retraining or reassignment obligation before an employer can make a worker redundant?	No	0
Are there priority rules applying to redundancies?	Yes	1
Are there priority rules applying to re-employment?	Yes	1
Redundancy costs (weeks of salary)		51.5
What is the notice period for redundancy dismissal after 20 years of continuous employment? (weeks of salary)		0.0
What is the severance pay for redundancy dismissal after 20 years of employment? (weeks of salary)		51.5
What is the legally mandated penalty for redundancy dismissal? (weeks of salary)		0.0
Rigidity of employment index (0-100)		41.1
Rigidity of hours index (0-100)		20.0
Can the workweek extend to 50 hours (including overtime) for 2 months per year to respond to a seasonal increase in production?	Yes	0

What is the maximum number of working days per week?	6	0
Are there restrictions on night work and do these apply when continuous operations are economically necessary?	Yes	1.00
Are there restrictions on "weekly holiday" work and do these apply when continuous operations are economically necessary?	No	0.00
What is the paid annual vacation (in working days) for an employee with 20 years of service?	20	0

Note: The first three indices measure how difficult it is to hire a new worker, how rigid the regulations are on working hours, and how difficult it is to dismiss a redundant worker. Each index assigns values between 0 and 100, with higher values representing more rigid regulations. The overall Rigidity of Employment Index is an average of the three indices.

Registering Property in Mexico

This topic examines the steps, time, and cost involved in registering property in Mexico.

STANDARDIZED PROPERTY

Property Value: 5,603,776.82

City: Mexico City

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1 *	Obtain the alignment and official number of the property at the corresponding Federal District Department	11 days (simultaneous with procedures 2 and 3)	MXN 142 (official number) + MXN 23 for each meter of the front of the real estate (alignment) It is assumed that the front of the property has 23.6 meters (the square root of the total surface of the lot, 557.4 square meters) in order to calculate the cost of the Alignment.
2 *	Obtain the cadastral plan from the Cadastre Department at the Public Registry of Property	7 days (simultaneous with procedures 1 and 3)	MXN 348
3 *	The notary public obtains a no-encumbrance certificate	7 days (simultaneous with procedures 1 and 2)	MXN 341

- Acquisition tax according to the following scale, from Art 135, Federal District

Financial code:

Cost: Acquisition tax according to the following scale:

A. For properties valued from \$0.11 to \$73,531.32
fixed fee of \$138.62 + (0.0000%) * (the difference between the value of the property and the lower limit).

B. For properties valued from \$73,531.33 to \$117,650.05 = fixed fee \$138.63 + (0.03163%) * (the difference between the value of the property and the lower limit).

C. For properties valued from \$117,650.06 to \$176,474.91 = fixed fee \$1,534.10 + (0.03261%) * (the difference between the value of the property and the lower limit).

D. For properties valued from \$176,474.92 to \$352,949.92 = fixed fee \$3,452.38 + (0.03261%) * (the difference between the value of the property and the lower limit).

E. For properties valued from \$352,949.93 to \$882,374.80 = fixed fee \$9,207.23 + (0.03696%) * (the difference between the value of the property and the lower limit).

F. For properties valued from \$882,374.81 to \$1,764,749.61 = fixed fee \$28,774.78 + (0.04565%) * (the difference between the value of the property and the lower limit).

G. For properties valued from \$1,764,749.62 and above = fixed fee of \$69,055.19 + (0.04565%) * (the difference between the value of the property and the lower limit).

- The new table for the calculation of Notarial fee which are calculated considering the amount of the transfer operation, is as follows:

In operations representing \$111,062.01 or more a fixed fee of MXN \$4,039.00 applies plus the addition of a progressive cumulative factor obtained from the following notarial fee schedule:

- A. From the lower limit \$111,062.01 to \$222,125.00 = (1.125%) * (the difference of the operation value and the lower limit)
- B. From the lower limit \$222,125.01 to \$444,249.00 = (0.975%) (the difference of the operation value and the lower limit)
- C. From the lower limit \$444,249.01 to \$888,498.00 = (0.825%) (the difference of the operation value and the lower limit)
- D. From the lower limit \$888,498.01 to \$1,776,997.00 = (0.675%) (the difference of the operation value and the lower limit)
- E. From the lower limit \$1,776,997.01 to \$3,553,994.00 = (0.525%) (the difference of the operation value and the lower limit)
- F. From the lower limit \$3,553,994.01 to \$7,107,987.00 = (0.375%) (the difference of the operation value and the lower limit)
- G. From the lower limit \$7,107,987.01 to \$14,215,974.00 = (0.225%) * (the difference of the operation value and the lower limit)
- H. From the lower limit \$14,215,974.01 and above = (0.075%) * (the difference of the operation value and the lower limit)

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the lower limit)

5	Registration of the transfer of title at the Public Registry of Property of the Federal District	30 - 90 days	MXN 10,643
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* Takes place simultaneously with another procedure.

Procedure 1 Obtain the alignment and official number of the property at the corresponding Federal District Department

Time to complete: 11 days (simultaneous with procedures 2 and 3)

Cost to complete: MXN 142 (official number) + MXN 23 for each meter of the front of the real estate (alignment)

It is assumed that the front of the property has 23.6 meters (the square root of the total surface of the land plot, 557.4 square meters) in order to calculate the cost of the Alignment.

Comment: The seller has to obtain at the corresponding Federal District Department the alignment and official number (“Alineamiento y número oficial”) of the real estate that is being purchased.

The documentation shall include:

- a) Application in the format provided by the Federal District Department (original and 3 copies);
- b) The power of attorney granted to the seller’s representative; and
- c) Copies of the public deed containing the title ownership of the real estate

Fees are updated each year with the Federal District financial code

Procedure 2 Obtain the cadastral plan from the Cadastre Department at the Public Registry of Property

Time to complete: 7 days (simultaneous with procedures 1 and 3)

Cost to complete: MXN 348

Comment: The seller must go to the corresponding Cadastre Department at the Public Registry of Property in order to obtain the corresponding cadastre of its property (the “cadastral”).

Procedure 3 The notary public obtains a no-encumbrance certificate

Time to complete: 7 days (simultaneous with procedures 1 and 2)

Cost to complete: MXN 341

Comment: Prior to the transaction and pursuant to Article 3016 of the Civil Code of the Federal District, a no-liens certificate must be obtained by the notary public with respect to the real estate that will be purchased. Likewise, said request will be considered by the Public Registry of Property as a preventive notice of the purchase operation.

Procedure 4 The notary public formalizes the sale purchase agreement

Time to complete: 3 days

Cost to complete:

- Acquisition tax according to the following scale, from Art 135, Federal District Financial code:

Cost: Acquisition tax according to the following scale:

- A. For properties valued from \$0.11 to \$73,531.32 = fixed fee of \$138.62 + (0.0000%) * (the difference between the value of the property and the lower limit).
- B. For properties valued from \$73,531.33 to \$117,650.05 = fixed fee of \$138.63 + (0.03163%) * (the difference between the value of the property and the lower limit).
- C. For properties valued from \$117,650.06 to \$176,474.91 = fixed fee of \$1,534.10 + (0.03261%) * (the difference between the value of the property and the lower limit).
- D. For properties valued from \$176,474.92 to \$352,949.92 = fixed fee of \$3,452.38 + (0.03261%) * (the difference between the value of the property and the lower limit).
- E. For properties valued from \$352,949.93 to \$882,374.80 = fixed fee of \$9,207.23 + (0.03696%) * (the difference between the value of the property and the lower limit).
- F. For properties valued from \$882,374.81 to \$1,764,749.61 = fixed fee of \$28,774.78 + (0.04565%) * (the difference between the value of the property and the lower limit).
- G. For properties valued from \$1,764,749.62 and above = fixed fee of \$69,055.19 + (0.04565%) * (the difference between the value of the property and the lower limit).

- The new table for the calculation of Notarial fees, which are calculated considering the amount of the transfer operation, is as follows:

In operations representing \$111,062.00 or more a fixed fee of MXN \$4,039.00 applies plus the additional progressive cumulative factor obtained from the following notarial fee schedule:

- A. From the lower limit of \$111,062.01 to \$222,125.00 = (1.125%) * (the difference of the operation value and the lower limit)
- B. From the lower limit of \$222,125.01 to \$444,249.00 = (0.975%)* (the difference of the operation value and the lower limit)
- C. From the lower limit of \$444,249.01 to \$888,498.00 = (0.825%)*(the difference of the operation value and the lower limit)
- D. From the lower limit of \$888,498.01 to \$1,776,997.00 = (0.675%) * (the difference of the operation value and the lower limit)
- E. From the lower limit of \$1,776,997.01 to \$3,553,994.00 = (0.525%) * (the difference of the operation value and the lower limit)
- F. From the lower limit of \$3,553,994.01 to \$7,107,987.00 = (0.375%) * (the difference of the operation value and the lower limit)
- G. From the lower limit of \$7,107,987.01 to \$14,215,974.00 = (0.225%) * (the difference of the operation value and the lower limit)
- H. From the lower limit of \$14,215,974.01 and above (0.075%)* (the difference of the operation value and the lower limit)

Comment:

Once the notary public has been provided with all the required documents, he will proceed with the formalization of the sale purchase agreement. The buyer is subject to pay the acquisition tax ("Impuesto sobre Adquisiciones o Transmisión de Dominio"). In this respect, on the date of execution of the real estate purchase agreement before the notary public, said notary public will retain the above mentioned taxes and pay them before Treasury Department.

The scale of notary tariffs is with respect to the Notary Publics of the Federal District only. Other Mexican states have varying scales.

The seller will also have to pay the income tax and the value added tax as follows:

The applicable Income Tax for transferors resident in Mexico is 29% on the gain (the excess of the sale price over the adjusted tax basis). The tax basis of real estates is in general terms the original cost of acquisition as updated for inflation.

The value added tax (15%) is applicable only with respect to the constructions that conform to the property and therefore an allocation of the price to the land and constructions should be made in the sales agreement based on an appraisal. The value added tax will be shifted to the buyer.

The seller is responsible to gather the following documentation that must be delivered to the notary public:

- a) Property Title
- b) Public deed(s) containing the incorporation and by-laws of the seller company, together with copy of any public deed(s) containing amendments to the by-laws of the seller company
- c) Public deed(s) containing the powers of attorney granted in favor of the seller's representatives (for acts of domain and acts of administration in terms of the second and third paragraph of article 2554 of the Civil Code of the Federal District)
- d) Receipts evidencing the payment for real estate taxes for a period of five years
- e) Receipts evidencing the payment of water fees for a period of five years
- f) The Construction License
- g) The Notice of Termination of Construction
- h) The alignment and official number (obtained in Procedure 1)
- i) The cadastral (obtained in Procedure 2)
- j) General data of the seller's representatives and copy of their official identification
- k) Copy of the official identification of the seller's representatives

The buyer must deliver to the notary public the following documents:

- a) Public deed containing the incorporation of the company and by-laws together with copy of any public deeds containing amendment to the by-laws of the buyer.
- b) Public deed(s) containing the granting of powers of attorney in favor of the representative(s) of the buyer (for acts of administration in terms of the second paragraph of the Civil Code of the Federal District and power to grant and subscribe negotiable instruments in terms of article 9 of the General Law of Negotiable Instruments in case that the representative pays with check or with any other negotiable instrument)
- c) General data of the buyer's representative(s)
- d) Official identification of the buyer's representative(s)

Procedure	5	Registration of the transfer of title at the Public Registry of Property of the Federal District
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Time to complete: 30 - 90 days

Cost to complete: MXN 10,643

Comment: The notary public will proceed with the registration of the first testimony of the public deed containing the formalization of the purchase agreement of a real estate and the transfer of title, before the Public Registry of Property of the Federal District. After registration, the buyer will have to give notice to the corresponding water department, and any other company that provides any service to the property (i.e. electric company, water, etc.)

Getting Credit in Mexico

The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in Mexico.

Getting Credit Indicators (2009)			Indicator
			score
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry	6
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative data distributed?	Yes	No	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	Yes	No	1
Are more than 2 years of historical credit information distributed?	Yes	No	1
Is data on all loans below 1% of income per capita distributed?	Yes	No	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	Yes	No	1
Coverage		77.5	0.0
Number of individuals	52,000,000		0
Number of firms	6,000,000		0

Strength of legal rights index (0-10)		4
Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?		Yes
Does the law allow businesses to grant a non possessory security right in a single category of revolving movable assets, without requiring a specific description of the secured assets ?		No
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of the secured assets ?		Yes
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?		No
Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?		Yes
Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?		No
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?		No
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?		No

During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?

Yes

Does the law authorize parties to agree on out of court enforcement?

No

Protecting Investors in Mexico

The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in Mexico.

Protecting Investors Data (2009)	Indicator
Extent of disclosure index (0-10)	8
What corporate body provides legally sufficient approval for the transaction? (0-3; see notes)	2
Immediate disclosure to the public and/or shareholders (0-2; see notes)	2
Disclosures in published periodic filings (0-2; see notes)	2
Disclosures by Mr. James to board of directors (0-2; see notes)	1
Requirement that an external body review the transaction before it takes place (0=no, 1=yes)	1
Extent of director liability index (0-10)	5
Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company. (0-2; see notes)	2
Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company. (0-2; see notes)	1
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff (0-2; see notes)	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	1
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	0
Whether fines and imprisonment can be applied against Mr. James (0=no, 1=yes)	0
Shareholder plaintiff's ability to sue directly or derivatively for damage the transaction causes to the company (0-1; see notes)	1
Ease of shareholder suits index (0-10)	5
Documents available to the plaintiff from the defendant and witnesses during trial (0-4; see notes)	2
Ability of plaintiffs to directly question the defendant and witnesses during trial (0-2; see notes)	2
Plaintiff can request categories of documents from the defendant without identifying specific ones (0=no, 1=yes)	0
Shareholders owning 10% or less of Buyer's shares can request an inspector investigate the transaction (0=no, 1=yes)	1

Level of proof required for civil suits is lower than that for criminal cases (0=no, 1=yes) 0

Shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit (0=no, 1=yes) 0

Strength of investor protection index (0-10) 6.0

Notes:

Extent of Disclosure Index

What corporate body provides legally sufficient approval for the transaction?

0=CEO or managing director alone; 1=shareholders or board of directors vote and Mr. James can vote; 2=board of directors votes and Mr. James cannot vote; 3 = shareholders vote and Mr. James cannot vote

Immediate disclosure to the public and/or shareholders

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

Disclosures in published periodic filings

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

Disclosures by Mr. James to board of directors

0=none; 1=existence of a conflict without any specifics; 2= full disclosure of all material facts

Director Liability Index

Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company

0= Mr. James is not liable or liable only if he acted fraudulently or in bad faith; 1= Mr. James is liable if he influenced the approval or was negligent; 2= Mr. James is liable if the transaction was unfair, oppressive or prejudicial to minority shareholders

Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company

0=members of the approving body are either not liable or liable only if they acted fraudulently or in bad faith; 1=liable for negligence in the approval of the transaction; 2=liable if the transaction is unfair, oppressive, or prejudicial to minority shareholders

Whether a court can void the transaction upon a successful claim by a shareholder plaintiff

0=rescission is unavailable or available only in case of Seller's fraud or bad faith; 1=available when the transaction is oppressive or prejudicial to minority shareholders; 2=available when the transaction is unfair or entails a conflict of interest

Shareholder plaintiffs' ability to sue directly or derivatively for damage the transaction causes to the company

0=not available; 1=direct or derivative suit available for shareholders holding 10% of share capital or less

Shareholder Suits Index

Documents available to the plaintiff from the defendant and witnesses during trial

Score 1 each for (1) information that the defendant has indicated he intends to rely on for his defense; (2) information that directly proves specific facts in the plaintiff's claim; (3) any information that is relevant to the subject matter of the claim; and (4) any information that may lead to the discovery of relevant information.

Ability of plaintiffs to directly question the defendant and witnesses during trial

0=no; 1=yes, with prior approval by the court of the questions posed; 2=yes, without prior approval

Paying Taxes in Mexico

The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Mexico, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Value added tax (VAT)	1	online filing	213	15%	sales price		
Vehicle tax	1	online filing		various rates	value of vehicle	0.06	
Property tax	1	online filing		various rates	property value	1.27	
Payroll tax	1	online filing		2%	gross salaries	2.26	
Corporate income tax	1	online filing	184	28.0%	taxable profits	22.94	
Social security contributions	1	online filing	118	various rates	gross salaries	24.46	
Totals	6		517			51.0	

Notes:

- a) data not collected
- b) VAT is not included in the total tax rate because it is a tax levied on consumers
- c) very small amount
- d) included in other taxes
- e) Withheld tax
- f) electronic filing available
- g) paid jointly with another tax

Name of taxes have been standardized. For instance income tax, profit tax, tax on company's income are all named corporate income tax in this table.

When there is more than one statutory tax rate, the one applicable to TaxpayerCo is reported.

The hours for VAT include all the VAT and sales taxes applicable.

The hours for Social Security include all the hours for labor taxes and mandatory contributions in general.

Trading Across Borders in Mexico

These tables list the procedures necessary to import and exports a standardized cargo of goods in Mexico. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2009)	Duration (days)	US\$ Cost
Documents preparation	7	250
Customs clearance and technical control	2	150
Ports and terminal handling	2	172
Inland transportation and handling	3	900
Totals	14	1472

Nature of Import Procedures (2009)	Duration (days)	US\$ Cost
Documents preparation	10	300
Customs clearance and technical control	2	500
Ports and terminal handling	3	300
Inland transportation and handling	2	950
Totals	17	2050

Export
Bill of lading
Certificate of origin
Commercial invoice
Customs export declaration
Packing list

Import
Bill of lading
Certificate of origin
Commercial invoice
Customs import declaration
Packing list

Enforcing Contracts in Mexico

This topic looks at the efficiency of contract enforcement in Mexico.

Nature of Procedure (2009)	Indicator
Procedures (number)	38
Time (days)	415
Filing and service	42.0
Trial and judgment	190.0
Enforcement of judgment	183.0
Cost (% of claim)*	32.00
Attorney cost (% of claim)	20.0
Court cost (% of claim)	5.0
Enforcement Cost (% of claim)	7.0
Court information:	Mexico City First Instance Civil ("Juzago Civil del Tribunal Superior de Justicia del Distrito Federal")

* Claim assumed to be equivalent to 200% of income per capita.



DOING BUSINESS
2010

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WORLD
BANK



International
Finance
Corporation
World Bank Group

ISBN: 978-0-8213-7961-5



Printed in the
United States