



## PERMANENT ESTABLISHMENT IN MEXICO: BRANCH OR SUBSIDIARY?

### DEFINITION OF A PERMANENT ESTABLISHMENT

---

#### **Foreign Branches ('Permanent Establishments' for Tax Purposes)**

Branches from foreign companies may have business operations as soon as they are registered in the National Foreign Investments Register, upon the previous authorization of the Ministry of Economy, and the Public Property Registry.

Such authorization has to meet the following requirements:

- 1) It has proven that the company is duly incorporated in accordance with the law of its country of origin.
- 2) The partnership agreement or the articles of agreement thereof are not contrary to Mexican laws.
- 3) Its purpose is not subject to exclusion of foreign investors from certain economic activities.
- 4) It has appointed a legal representative who will be liable for the company's activities and who lives in the area where the company will operate within the country.

### DEFINITION AND MAIN DIFFERENCES BETWEEN A BRANCH AND A SUBSIDIARY

---

The main difference is that for Mexican Legal purposes a subsidiary must be a mercantile society or entity duly incorporated under Mexican Laws.

### TAX AND ACCOUNTING OBLIGATIONS

---

Same as Mercantile Entities.