

# OWN PROPERTY IN MEXICO

*safe and secure resort properties*



## *Owning Real Property in Mexico*

There are two basic scenarios that dictate how foreigners, or non-Nationals, may own real property in Mexico. One is provided for under what is known as the "Restricted Zone" and the other is for property in the "Non-Restricted Zone".

In the Non-Restricted Zone, a foreigner or foreign corporation may acquire any type of real estate the same as any Mexican National, holding the property as a direct owner and complying with Mexican law.

## *The Restricted Zone*

The Mexican Constitution regulates the ownership of land in Mexico and establishes that "... in a zone within 100 kilometers along the border or within 50 kilometers along the coast, a foreigner cannot acquire the direct ownership of the land...". These areas are known as "Restricted or Prohibited Zones". However, Mexican Foreign Investment Law makes allowances as outlined below.

Within the Restricted Zone, a foreigner or foreign corporation may obtain all the rights and privileges of ownership, including exclusive use and enjoyment, but it must be held within a bank trust, known as a Fideicomiso, with the foreigner as beneficiary. This arrangement also enables the beneficiary to occupy, rent out, transfer to any legal entity or person, or to otherwise modify their property in accordance with local zoning regulations.

## *Notary Public or "Notario Publico"*

Notarios Publico are the official agents of record for all transactions registered in the Land Registry Office in Mexico, and are responsible for the drawing and reviewing of all real estate closing documents, thus insuring their proper transfer. They are also responsible to the government for the collection of any taxes involved. For most residential real estate transactions, Notarios are introduced during the formation of the bank trust and will certify the signing of the "escritura" or official deed when the property is delivered.

At La Bella Vita, we have existing relationships with reputable Notarios Publico that we can introduce you to or if you prefer, you may select one on your own accord.

Contact us for more information at [info@la-bellavita.com](mailto:info@la-bellavita.com)

❖ OWN YOUR PIECE OF PARADISE

LUXURY OCEANSIDE LIVING ❖ PUERTO PEÑASCO, MEXICO

In order to maintain the high standards of this project, the developer reserves the right to make modifications and changes to building design, specifications, features, floor plans and prices. Suite sizes are approximate; actual floor plans and square footages may vary. E.&O.E.



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## *What is a Fideicomiso and How Does it Work?*

A Fideicomiso is the equivalent of an American beneficial trust where the trust holds the legal title to the property through a bank, with all rights and privileges of ownership held by the trust beneficiary.

In order to set up a trust to purchase land in the Restricted Zone in Mexico:

1. The buyer requests a Mexican bank of his/her choice to act as trustee on his/her behalf
2. There is an annual fee to the bank to maintain the trust; the amount varies depending upon whether or not financing is involved
3. The bank, as a matter of normal course, obtains the permit from the Ministry of Foreign Affairs to acquire the chosen property in trust
4. The Fideicomiso may be established for a maximum initial term of 50 years and can be automatically renewed for another 50 year period for a modest fee (currently less than \$1000)
5. During this period, the foreigner is considered as a Mexican National
6. Fideicomisos are carried as off-balance-sheet assets of the banks who act as trustees
7. The trustee is responsible for ensuring precise fulfillment of the trust, according to Mexican Law, assuming full technical, legal and administrative supervision in order to protect the interests of the buyer (beneficiary)
8. Under the trust agreement, upon expiry of the trust the beneficiary maintains a contractual right with the Mexican bank to all benefits that may result from the use or sale of that property, even though the beneficiary no longer holds title to the property
9. Under Mexican Law the bank, as trustee, has a fiduciary obligation to respect these rights and privileges of the beneficiary
10. For practical purposes even in Non-Restricted Zones, many foreigners and Mexican Nationals prefer to hold their property under a Fideicomiso
11. At La Bella Vita, we have made arrangements with a very reputable Mexican bank to act as trustee for you, or if you prefer, you may select one on your own

## *Other Considerations*

The availability of purchaser financing is relatively new in Mexico, however U.S. and Canadian banks and institutions are increasingly expressing interest in providing this service and are providing attractive solutions for clients. If financing is of interest to you, we suggest you speak to your personal banker in Canada or one of the Canadian or American lenders we have available for you.

The closing process for real estate transactions in Mexico takes between 30 to 45 days. Closing costs are paid by the buyer and are usually about 5%-8% of the purchase price. Of this total price, there is a 2% transfer tax to the Mexican government. The remaining cost is divided between such items as title search, attorney's fees, Notario fees and filing of all legal documents. The seller is responsible for any capital gains tax and any real estate fees owed on the property at the time of sale.

Real estate property taxes are known as "Perdial" in Mexico and tend to be low. The tax is calculated as a percentage of the assessed value of the property, determined at the time of sale, and are paid incrementally every two months.

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