



EASY 5-STEP GUIDE TO PURCHASING AND SELLING REAL ESTATE IN MEXICO

We created this guide to answer the most frequently asked questions when selling or purchasing real estate and to guide you step by step through the legal requirements for any real estate transaction in Mexico.

STEP 1 Provide the [supporting documents](#). The specific documents you need depend on the type of transaction you are entering. We provide you with a list of the documents required in a regular transaction on [page 2](#) of this document.

STEP 2 Fill out the [personal data form](#). This information is provided to the notary public in charge of formalizing the agreement and is treated confidentially. You can find this form on [page 3](#).

STEP 3 Sellers (individuals) should be aware of the [capital gains tax implications](#). You will find a detailed explanation of this tax when selling a residential home, the requirements to qualify to exclude the 700,000 UDIS of the gain from your income, and the costs that you may deduct to determine your base on [page 4](#). (Notary in charge of your closing is responsible for calculating and paying your taxes)

STEP 4 Calculate your [fees and expenses](#). Learn more about the costs for buyer and seller and obtain your estimate on [page 5](#).

STEP 5 Find out the [post-closing requirements for buyers and sellers](#) on [page 7](#).



STEP 1 SUPPORTING DOCUMENTS

SELLER

INDIVIDUALS

- Copy of Passport
- Copy of Migratory or Tourist Visa
- Tax Identification Number (RFC)

LEGAL ENTITY

- Bylaws duly registered at the Public Registry Office—The aim of the Legal Entity should include the authorization to sell assets.
- Tax Identification Number of the Legal Entity (RFC)
- Power of attorney of the legal representative with facilities of ownership

FOREIGN LEGAL ENTITIES

- Certificate of Formation
- Operating Agreement
- The manager has the power of attorney in accordance with Article 2064 of the State of Guanajuato.

Important: All the documents of a foreign legal entity must be apostilled and translated into Spanish.

- Copy of the title deed and its registration
- Property tax payment
- Certificate of no liens or encumbrances
- Utility bills of the property to be sold.
- The address in the title deed should match the utility bill.

BUYER

INDIVIDUALS

- Copy of Passport
- Copy of Migratory or Tourist Visa

INDIVIDUALS

- Bylaws duly registered at the Public Registry Office—The aim of the Legal Entity should include the authorization to acquire assets.
- Tax Identification Number of the legal entity (RFC)
- Power of attorney of the legal representative

FOREIGN LEGAL ENTITIES

- Certificate of Formation
- Operating Agreement
- The manager has the power of attorney in accordance with Article 2064 of the State of Guanajuato.

Important: All the documents of a foreign legal entity must be apostilled and translated into Spanish.

- Utility bill from the primary home.



STEP 2 **PERSONAL DATA FORM**

The information provided herein is for purposes of the real estate transaction to be carried out before the notary public.

NAME AS APPEARS IN IDENTIFICATION

DATE OF BIRTH

PLACE OF BIRTH

NATIONALITY

PASSPORT NUMBER

LEGAL STATUS IN MEXICO VISA/MIGRATORY CARD NUMBER

OCCUPATION

MARITAL STATUS

TELEPHONE NUMBER (US AND MEXICO) EMAIL

ADDRESS IN US, IF ANY

ADDRESS IN MEXICO



STEP 3 CAPITAL GAINS IMPLICATIONS APPLICABLE TO THE SALE OF REAL ESTATE

This document is for informational purposes only. It applies only in purchase and sale transactions carried out by individuals who do not conduct business activities and for property used only as a residence.

INCOME TAX | CAPITAL GAINS TAX

The SELLER is the party liable for the payment of Income Tax/Capital Gains (IRS in Spanish).

In any sales transaction **involving a residence**, if the Seller is **an** individual and has not sold any other property within the **previous** three years in which she/he was exempted from capital gains payment, the Seller will be eligible to exempt capital gains payment up to 700,000 UDIS (investment units in Spanish).

QUALIFYING FOR THE EXCLUSION. A FOREIGN INDIVIDUAL IS ELIGIBLE TO CAPITAL GAINS TAX EXEMPTION IF:

- A)** He/she proves his/her temporary or permanent residency in Mexico with the immigration card.
- B)** Proves his/her fiscal address, or his/her address for notices and services with utility bills.
- C)** He/she has his/her RFC (Taxpayer Identification Number) or the CURP (Population Code Number), which is inserted in the immigration card.

For those eligible for a capital gains tax exemption, the gain obtained shall be assessed based upon the deductions authorized by the law. To the amount resulting from the price, 700,000 UDIS are discounted as well as the deductions. The rate applied goes from **1.92%** up to **35%** of the gain. **The higher the gain, the higher the tax to be paid.**

If the individual transferring his/her residential home **is not a resident in Mexico**, **he/she is not eligible for the ISR exemption**. Non-residents in Mexico must pay the tax by applying the 25% rate on the **TOTAL INCOME RECEIVED**, without deductions, or **35%** of the **GAIN**.



AUTHORIZED DEDUCTIONS. You may include many, but not all, costs associated with the purchase and maintenance of your home. Individuals receiving income from the sale will be able to make the following deductions from the total price of the transaction:

I. The proven cost of acquisition paid for the property; this is the amount set forth in the deed proving the acquisition of the property. This amount will be updated based upon the provisions of the Income Tax (capital gains) Law.

For properties received as inheritance or donation, the cost of acquisition shall be the cost paid by the testator or donor.

II. Notarial expenses, taxes, and fees paid for the deed of acquisition and the transfer of the property, such as local tax for property transfer, paid previously by the SELLER; property appraisal costs will also be deducted.

III. Commission or intermediate fees paid by the SELLER as part of the acquisition or sale of the property.

IV. Amounts invested in construction, improvements and extensions, maintenance, and preservations costs are not included.

V. If you contracted to have your house built on land you own, your basis is the cost of the land plus the amount it cost you to complete the house, including:

1. The cost of labor and materials
2. Any amounts paid to a contractor
3. Any architect fees
4. Building permit charges
5. Legal fees directly connected with building the house

If the SELLER is unable to prove the investment made in construction, improvements, or extensions, the amount set forth in the construction completion certificate will be used, or 80% of the value of the construction reported in the appraisal. Only the value allocated to construction will be considered and not the value of the land.

The SELLER may have an appraisal made by an expert authorized by the municipality, a certified public broker, or a credit institution.



STEP 4 FEES AND EXPENSES

The BUYER is the party liable for the payment of the local Sales Tax (ISABI in Spanish). This tax is determined by the municipal government and goes from 2% to 4% of the sales price. It is only paid once and must be withheld by the notary public who formalizes the transaction.

The BUYER is also responsible for closing costs, which include the tax record certificate, fiscal appraisal, government fees to register the title deed at the public registry of property, and notary fees. Closing costs are typically 5% of the sale price, including the sales tax.

In addition, the parties may be liable for VAT (value added tax=IVA in Spanish) at 16% for the notary fees and the real estate agent's fee.

Legal fees are paid separately in the event the parties require the assistance of an attorney to review the documents, carry a search of title or due diligence, negotiate the terms and conditions of the agreement, coordinate the closing, or other legal work required when buying and selling a property.



STEP 5 POST CLOSING FOR BUYERS AND SELLERS

REPORTING THE SALE

The SELLER must report the sale of the property even if the gain from the sale is excludable. The notary public will pay the capital gains, if any, on behalf of the seller and will deliver the withholdings. An accountant is needed to complete this part.

COUNCIL TAX

The BUYER will pay the council tax from the date the transfer of the property has been effectively recorded; the tax goes from 0.18% to 0.705% of the FISCAL VALUE. If the municipal government determines the basis of your tax on the sales price not on the fiscal value, you have a simple and effective legal recourse to pay fees according to the current valid internal tax finance law of the State of Guanajuato.

FISCAL INVOICE

The notary public who carried the transaction must provide the fiscal invoice for his/her fees (CFDI) and the “complemento” to the BUYER when the seller is an individual; legal entities have the obligation to provide theirs. The CFDI establishes the specifics of the sale, such as location of the property, names of the parties, and the sale price. This document is indispensable to prove the purchase price of the property. It is also used for tax purposes when transferring the property to a third party by means of a sale, donation of assets, or an inheritance. Make sure this document is also provided in its XML format.

DISCLAIMER

These steps would ease any transaction. However, we encourage you to obtain advice with respect to your transaction.

The material available in this document is for informational purposes only and not for the purpose of providing legal advice.

To request more information, contact us at:

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