



Comparison of  
Corporate Benefits  
to attract investors  
offered by:  
The US Southern  
States (LA, TX, AL  
& FL), Mexico and  
Colombia.





# LOUISIANA



## Angel Investor Tax Credit

Louisiana's Angel Investor Tax Credit (AITC) encourages accredited investors to invest in early stage, small wealth-creating Louisiana businesses that seek startup and expansion capital. Provides a 25% tax credit on investments by accredited investors who invest in businesses certified by Louisiana Economic Development as Louisiana Entrepreneurial Businesses (LEB).

- \$3.6 million annual program cap.
- Investors can invest \$720,000 per business per year and \$1.44 million per business over the life of the program.
- The AITC Program sunsets on July 1, 2021.

The incentive is available to Louisiana businesses that are **not involved** in retail, real estate, professional services, gaming or gambling, natural resource extraction or exploration, or financial services, including venture capital funds. There is no formal application form for the LEB certification. Simply email the applicant's business plan and documents or information that addresses all of the listed eligibility criteria for the LEB certification.

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## Qualifying uses of investment funds include:

- Capital improvements
- Plant equipment
- Research & development
- Working capital

## Non-eligible uses of investment funds include:

- Pay dividends
- Redeem shares
- Repay debt
- Repay shareholders' loans

## Who qualifies as an Accredited Investor?

- A natural person who has an individual or joint net worth with a spouse exceeding \$1 million at the time of the investment.
- A natural person who has individual income exceeding \$200,000 or joint income with a spouse exceeding \$300,000.
- An Angel Pool, all of whose participants shall be Accredited Investors

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## What qualifies as an LEB?

- The principal business operations are in Louisiana, with Louisiana as the primary place of employment for the employees of the business.
- The business must possess a fully developed business plan that includes all appropriate long and short term forecasts and contingencies of business operations, including research and development, profit, loss and cash flow projections, and details of expenditure of angel investor funding.
- The business must have a Louisiana Tax Identification Number.
- The business has either gross annual sales of less than \$10 million or a business net worth of less than \$2 million.
- The business employs 50 or fewer full-time employees.
- The business must demonstrate that it will create quality jobs in the state.
- The business is not primarily engaged in the business of retail sales, real estate, professional services, gaming or gambling, natural resource extraction or exploration, or financial services including venture capital funds.
- The business has a plan of progression through which more than 50% of its sales will be derived from outside of Louisiana.
- For more on this, visit [here](#).



## LED FastStart – No. 1 State Workforce Development Program

Recognized for its innovation, effectiveness, flexibility and efficiency, LED FastStart® is the nation's best state workforce training program, according to Business Facilities magazine. Louisiana FastStart provides customized employee recruitment, screening, training development and training delivery for eligible, new or expanding companies — all at no cost.

Based on a company's immediate and long-term workforce needs, the Louisiana FastStart team crafts unique programs that ensure high-quality, flexible workers are prepared on day one and beyond.

The FastStart team includes dozens of experienced professionals from a range of businesses — manufacturing to corporate headquarters, digital media to customer support centers and R&D. FastStart has designed and delivered comprehensive workforce solutions for a wide variety of Fortune 500 companies, as well as high-tech companies funded by leading venture capital firms.

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LED FastStart®'s innovative, customized programs are available to companies that meet eligibility requirements and are aligned with Louisiana's economic development targets, including:

- Advanced and Traditional Manufacturing
- Digital Media
- Headquarters and Business Operations
- Research and Development
- Warehousing and Distribution

To qualify, a company must first commit to creating a net of at least 15 new, permanent jobs for manufacturing or distribution centers or a net of at least 50 new, permanent jobs for digital media, headquarters, R&D or inbound call center operations. Each request is evaluated prior to project commencement to ensure all eligibility requirements are met.

## Digital Interactive Media and Software Program

Louisiana's Digital Interactive Media and Software Program, statutorily known as Digital Interactive Media and Software Tax Credit — the strongest of its kind in the nation — is helping innovative digital media and software development companies of all sizes gain a competitive edge.

- Provides a 25% tax credit on qualified payroll for in-state labor and 18% for qualified production expenditures.
- No cap and no minimum requirement.
- Tax credit can be applied to state income tax liability and the state will refund any overages OR applicants can opt for 85% of the value earned as a rebate any time during the year.

### Qualifying development products include:

- Digital Media and Games
- Web-based and Mobile Applications
  - Consumer Software
  - Entertainment Software
- Business and Enterprise Software
- Interactive Devices and Consoles
  - Embedded Systems



## Enterprise Zone Tax Credit

The Enterprise Zone, or EZ program is a jobs incentive program that provides Louisiana income and franchise tax credits to a new or existing business located in Louisiana creating permanent net new full-time jobs, and hiring at least 50% of those net new jobs from one of four targeted groups. The benefit provides:

- Either a one-time \$3,500 or \$1,000 tax credit for each net new job created.
- A rebate of state sales and use taxes paid on qualifying materials, machinery, furniture, and/or equipment purchased or a 1.5% refundable investment tax credit on the total capital investment, excluding tax exempted items. The rebate shall not exceed \$100,000 per net new job.

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This incentive program is open to Louisiana businesses (new or existing) that will:

- Create a minimum of five permanent net new full-time jobs within 24 months of their project start date or increase their current nationwide workforce by 10% within the first 12 months.
- Hire 50% of the net new jobs created from one or more of the certification requirements from these targeted groups:
- Residents: someone living in Enterprise Zone within the state.
- Enterprise Zone listing by Parish – 2000
- Enterprise Zone listing by Parish – 2010 (The 2010 listing should be used for Advance Notifications received on or after July 1, 2013)
- People receiving an approved form of public assistance.
- People lacking basic skills. A person performing below a ninth grade proficiency in reading, writing or mathematics.
- People unemployable by traditional standards.

## Entertainment Job Creation Program

The Entertainment Job Creation Program (in Telecommunications) provides a tax credit on annual W2 wages to approved entertainment companies (known as a Qualified Entertainment Company or “QEC”) that create well-paid jobs for Louisiana residents.

The program provides a 15% credit for each new job whose QEC payroll is equal to or greater than \$45,000 per year, up to \$66,000 per year; and provides a 20% credit for each new job whose QEC payroll is equal to or greater than \$66,000 per year, but no greater than \$200,000 per year.

Business must be engaged in the development or distribution of audio, visual, or both audio-visual entertainment products for public consumption, directly or indirectly; and the entity must be authorized to do business in the state of Louisiana

## Louisiana opportunity zones

Opportunity Zones are a new community development program established by Congress in the Tax Cuts and Jobs Act of 2017. This new federal capital gains tax incentive program is designed to drive long-term investments to low-income communities. The new law provides a federal tax incentive for investors to re-invest their capital gains into Opportunity Funds, which are specialized vehicles dedicated to investing in designated low-income areas.

There are 150 census tracts in Louisiana that are qualified opportunity zones. These low-income tracts were nominated by Gov. John Bel Edwards and certified by the Secretary of the Treasury. Louisiana's 150 tract recommendations were determined based on a strategic review of feedback from local, state and federal elected officials; economic and community development organizations; private developers; private equity firms; non-profit organizations; churches; and individuals. LED's review and comprehensive analysis considered the following factors:



# LOUISIANA

- The potential for development based on known certified sites, tracts of land, or buildings within the eligible census tract
- Proximity to regional assets (ports, airports, industrial parks, tech parks, colleges and universities, etc.)
- Opportunities to leverage other designations such as NMTC or Enterprise Zones
- That coverage included a mix of tracts - some with high potential for economic development and others with high potential for community development (e.g. affordable housing, redevelopment, mixed use real estate, and any other types of quality of place enhancements)
- The end goal to ensure a fair and balanced distribution of zones across each of the eight economic development regions of the state
- The end goal to ensure adequate coverage in both rural and urban areas.

## Industrial Tax Exemption Program

The Louisiana Industrial Ad Valorem Tax Exemption Program (ITEP) is an original state incentive program, which offers an attractive tax incentive for manufacturers who make a commitment to jobs and payroll in the state. With approval by the Board of Commerce and Industry and local governmental entities, the program provides an 80% property tax abatement for an initial term of five years and the option to renew for five additional years at 80% property tax abatement on a manufacturer's qualifying capital investment related to the manufacturing process in the state.

Businesses must be classified as a manufacturer or related to the manufacturing project at the project site in order to receive benefits of the ITE Program. A manufacturer, as identified by the federal government, has a North American Industry Classification System (NAICS) code that begins with 31, 32 or 33. The NAICS is used as a preliminary qualification criterion. A detailed description of the activities to be considered manufacturing must be provided by the company.

The program can be used by manufacturers new to Louisiana and is also available to existing manufacturers in Louisiana with new investments to existing facilities.

## Other Tax Exemptions

*Sales Tax Exemption on Manufacturing Machinery & Equipment:* Effective July 1, 2018, MM&E is exempted from 4% of state sales taxes, thus the tax rate for MM&E will be 1%.

*Sales Tax Exemption on Business Utilities:* Effective July 1, 2018, business utilities (electricity, water, steam, and natural gas) are exempted from 4% of state sales taxes, thus the tax rate for business utilities will be 1%.

## Louisiana Quality Jobs Rebate

The Quality Jobs, or QJ, program provides a cash rebate to companies that create well-paid jobs and promote economic development.

The program provides up to a 6% cash rebate of annual gross payroll for new direct jobs for up to 10 years. Provides a state sales/use tax rebate on capital expenditures or a 1.5% project facility expense rebate on the total capital investment, excluding tax exempted items.

### Eligibility

Bioscience, Manufacturing, Software, Clean Energy Technology, Food Technology, Advanced Materials, Headquarters of Multi-State Businesses, Aircraft MROs or Oil & Gas Field Service - *OR* - Must have at least 50% of annual sales out-of-state and/or to in-state customers or buyers if the product or service is resold by the purchaser to an out-of-state customer or buyer or to the federal government –*OR* - The employer is a business that spends fifty percent or more of its time performing services for its out-of-state parent company. These services include but are not limited to legal, marketing, finance, information technology, order management, distribution center operation, or overall operations support. –*OR*- Employer is located in a parish that is within the lowest 25% of parishes based on per capita income.



## Louisiana Research and Development Tax Credit

The Research and Development Tax Credit encourages existing businesses with operating facilities in Louisiana to establish or continue research and development activities within the state.

Provides up to a 30% tax credit on qualified research expenditures incurred in Louisiana — with no cap and no minimum requirement.

The Tax Credit Incentive is open to companies who have incurred research and development expenditures in Louisiana and who meet certain requirements. Only research and development conducted in Louisiana will qualify for the Tax Credit Incentive.

## Restoration Tax Abatement

The Restoration Tax Abatement (RTA) program provides an up-to ten-year abatement of property taxes (ad valorem) on renovations and improvements of existing commercial structures and owner-occupied residences.

\*Five-year contract; option for five-year renewal with approval from local governing authority, Board of Commerce and Industry, and governor's approval

### Eligible Expenses:

- Building and Materials
- Machinery and Equipment (only that which becomes an integral part of the structure)
  - Labor and Engineering

### Qualifying Locations for Properties Include:

- Downtown Development Districts
- Historic Districts (includes properties listed on the National Register of Historic Places)
- Economic Development Districts (Different from Enterprise Zones and Economic Development Zones)

## CEO Roundtables

Occurring 10 times annually, Louisiana Economic Development's CEO Roundtables bring together key decision makers from Louisiana small businesses for collaborative, growth-oriented discussions that allow CEOs to safely explore business issues under the guidance of experienced facilitators.

Roundtable benefits include:

- The sharing of business experiences that allow participants to learn from each other's achievements and mistakes
- Support from qualified facilitators, guest speakers and various small business resources

## Economic Gardening Initiative

The Economic Gardening Initiative provides Louisiana small businesses with the information they need to grow and succeed through accelerated technical assistance and research, an experienced economic gardening team will provide customized services tailored to your business needs.

Program benefits include: A review of core strategies, including threats and opportunities, business strategy and niche markets; business development opportunities through market research and qualified sales leads; Improved internet presence by increasing company's visibility and credibility within the market, and advice on how to best use technology to connect with customers

## Small Business Loan and Guaranty Program

The Small Business Loan and Guaranty Program facilitates capital accessibility for small businesses by providing loan guarantees to banks and other small business lenders in association with the federal State Small Business Credit Initiative (SSBCI). The program's purpose is to provide financial assistance, which helps with the development, expansion and retention of Louisiana's small businesses.

- Guarantees may range up to 75% of the loan amount, not to exceed \$1.5 million
- Guarantee fee may be waived (determined by risk)
- Loan Amount: \$5,000 to \$1.5 million
- Maximum Guarantee: 75%
- Minimum Equity Requirement: 15% to 20%
- Application Fee: \$0
- Quick Turnaround for Loans: \$500,000 or less



## Small and Emerging Business Development Program

LED's Small and Emerging Business Development (SEBD) Program provides the managerial and technical assistance training needed to grow and sustain a small business.

- Provides for developmental assistance, including entrepreneurial training, marketing, computer skills, accounting, business planning, and legal and industry-specific assistance
- Consideration for bidding on select products or services purchased by state agencies
- SEBD Intermediaries provide a free needs assessment and assistance with accessing other program benefits

## Veteran Initiative

Louisiana's Veteran Initiative (LAVETBIZ) is a certification program designed to help eligible Louisiana Veteran-owned and Service-Connected Disabled-Veteran-owned small businesses gain greater access to purchasing and contracting opportunities available at the state government level.

For small purchases (less than \$15,000), state agencies can waive the required additional quotes if a certified company submits a quote that is reasonable; 10% of the total evaluation points can be added to your bid on a Request for Proposal (RFP); Prime contractors who use the business as a subcontractor on an RFP bid are also eligible to receive additional percentage points on their bid

# TEXAS

 UNIDO DIGITAL





## Texas Enterprise Fund

The Texas Enterprise Fund (TEF) awards “deal-closing” grants to companies considering a new project for which one Texas site is competing with other out-of-state sites. The fund serves as a financial incentive for those companies whose projects would contribute significant capital investment and new employment opportunities to the state’s economy.

### Who Can Apply?

Companies planning a new project including a facility opening or expansion, with significant projected job creation and capital investment, where a single site in Texas is actively competing with at least one viable out-of-state option.

### Type of Incentive

“Deal-closing” cash grants are calculated according to a uniform analytical model for each applicant. Award amounts are calculated on the average wage of new employees, taking into account the expected hiring timeline and number of jobs created, with per-employee award amounts subject to adjustment based on the company’s total proposed capital investment.

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## Eligibility Details

- The single Texas site being considered for the project must be in active competition with at least one out-of-state site and the company must not have made a location decision. Actions signifying the company has already made a location decision include, but are not limited to—signing a lease, purchasing land, hiring employees and/or making a location announcement.
- Projected new job creation must exceed 75 full-time jobs (urban areas) or 25 full-time jobs (rural areas).
- The total average wage for new jobs must meet or exceed the average county wage for the county in which the project would be located during the full term of the grant agreement.
- The company must demonstrate significant levels of planned capital investment, as determined by the Governor's Office.
- The project must be supported by the city, county and/or school district in which the project would be located, particularly in the form of local economic incentive offers.
- The company must be well-established and financially sound.
- The company must operate in an advanced industry which affords it other feasible location options nationally and/or internationally.



## Event Trust Funds Program

The Event Trust Funds program is comprised of three separate funds—the Events Trust Fund, Major Events Reimbursement Program, and Motor Sports Racing Trust Fund—targeted at attracting various types of events to the State of Texas. The Funds can assist Texas communities with paying costs related to preparing for or conducting an event by depositing projected gains in various local and state taxes generated from the event in a dedicated event-specific trust fund to cover allowable expenses

The state's contribution may not exceed the projected increase in state sales and use, auto rental, hotel and alcoholic beverage taxes generated as a result of the qualified event during the specified event period or “economic impact window” (window varies by type of trust fund). Applicants must contribute \$1 in local tax gains for every \$6.25 the state contributes to the fund. Events Trust Fund grant awards are disbursed on a reimbursement basis following a review by the Governor's Office of submitted costs after the completion of the qualified event. One-hundred percent of allowable expenses may be funded, provided sufficient tax receipts are deposited in the trust fund. The program is funded through event-generated tax increase; there is no maximum or minimum amount of funds available.

## Governor's University Research Initiative (GURI)

The Governor's University Research Initiative (GURI), is aimed at helping Texas public institutions of higher education recruit distinguished researchers from around the world to the State of Texas. The program seeks to bolster both the standing of Texas public colleges and universities and economic development efforts statewide. Eligible Texas public institutions of higher education attempting to recruit distinguished researchers can apply.

The state's grant contribution may not exceed \$5 million per distinguished researcher.

A "distinguished researcher" is defined as:

- A Nobel Laureate or the recipient of an equivalent honor, or
- A member of a national honorific society, such as the National Academy of Sciences, the National Academy of Engineering, the National Academy of Medicine, or an equivalent honorific organization.

## Texas Enterprise Zone Program

The Texas Enterprise Zone Program (EZP) is a state sales and use tax refund program designed to encourage private investment and job creation in economically distressed areas of the state.

Texas communities must nominate companies in their jurisdiction to receive an Enterprise Zone designation and thus be eligible to receive state sales and use tax refunds on qualified expenditures by submitting an application on the company's behalf. Companies must contribute information to the application packet where required. Companies must meet minimum capital investment thresholds and create and/or retain jobs that employ a certain percentage of economically disadvantaged individuals, enterprise zone residents, or veterans.

# TEXAS

Level of Capital Investment	Maximum Number of Jobs Allocated	Maximum Potential Refund	Maximum Refund Per Job Allocated
\$40,000 to \$399,999	10	\$25,000	\$2,500
\$400,000 to \$999,999	25	\$62,500	\$2,500
\$1,000,000 to \$4,999,999	125	\$312,500	\$2,500
\$5,000,000 to \$149,999,999	500	\$1,250,000	\$2,500
Double Jumbo Project \$150,000,000 to \$249,999,999	500*	\$2,500,000	\$5,000
Triple Jumbo Project \$250,000,000 or more	500*	\$3,750,000	\$7,500

*\*Double and Triple Jump Projects may not count retained jobs for benefit. A Triple Jumbo Project must create at least 500 jobs.*

# TEXAS

State sales and use tax refund, with the maximum allowable refund—both total and per-job—determined for each company which has been awarded a designation based on the company's planned capital investment and job creation and/or retention at the qualified business site (see table below).

Companies approved for Enterprise Zone designations are eligible to apply for refunds of the state sales and use tax they have paid during the designation period on qualified expenditures, up to their maximum allowable refund. The Texas Comptroller's Office administers all refunds. EZP designations are effective beginning 90 days prior to the deadline for the applicable application round and extend for a period of not less than 1 year and not more than 5 years from the date on which the designation is made.

- Jobs counted for benefit must have an average weekly wage which meets or exceeds the average county weekly wage in the county which the qualified business site is located.
- Each community has a limited number of designations available per biennium; communities with a population at or above 250,000 have 9 designations available per biennium, while communities with a population of less than 250,000 have 6 designations available. The state may award a maximum of 105 designations statewide per biennium, and may award up to 12 designations per quarterly round.

# TEXAS

- Employment (new and retained jobs) and capital investment commitments must be met prior to the expiration of the designation period.
- A company must first pay the applicable state sales and use tax on qualified expenditures in order to receive a refund of those taxes.
- The percentage of a project's new employees who must meet economically disadvantaged, enterprise zone residency, or veteran requirement varies depending on whether the qualified business site is located inside or outside of an Enterprise Zone—state-designated area with economically depressed conditions.
- If located within a Zone, 25% of the company's new employees at the qualified business site must meet economically disadvantaged, enterprise zone residency or veteran requirements
- If located outside a Zone, 35% of the company's new employees at the qualified business site must meet economically disadvantaged, enterprise zone residency, or veteran requirements.
- Only full-time jobs qualify for EZP award consideration
- Jobs must be maintained through the end of the designation period, or for at least 3 years after the date on which tax benefits are received, whichever is later.

## TAX EXEMPTIONS

**Sales and Use Tax Exemptions:** Available to taxpayers who manufacture, fabricate, or process tangible property for sale; manufacturing companies are also exempt from paying state sales/use tax on electricity and natural gas used in manufacturing, processing, or fabricating tangible personal property.

**Freeport Exemption:** Property tax exemptions are available for various types of goods that are detained in Texas for 175 days or less, which can be waived for certain goods. The goods must be in Texas only for a limited purpose such as assembly, storage, manufacturing, processing or fabricating. This exemption is available in select areas only.

**Data Center Tax Exemption:** Data Center projects involving at least 100,000 square feet that result in the creation of at least 20 qualifying jobs and a capital investment of at least \$200 million over a 5-year period can qualify for a 100% exemption on sales and use tax.

**Research and Development Tax Credit/Exemption:** Provides qualified businesses with the option of selecting either a sales tax exemption on property purchased for purposes of R&D or an R&D credit against the franchise tax. The amount of the credit is 5% of the difference between the qualified research expense incurred in Texas and the base period. The total credit cannot exceed 50% of franchise tax liability.



## Product Development and Small Business Incubator Fund

The Product Development and Small Business Incubator Fund (PDSBI) offers long-term, asset-backed loans to product development companies and small business incubators/accelerators located in Texas. The loans finance the development and production of new or improved products or the stimulations of new or existing small businesses in Texas. The program targets those businesses which may be unable to obtain full financing or financing on workable terms in traditional capital markets. All applicants must have 3 years of operating history to be eligible for a loan.

## PRODUCT DEVELOPMENT FUND

## SMALL BUSINESS INCUBATOR FUND

### PURPOSE

To aid in the development and production, including the commercialization, of new or improved products in the State of Texas.

To foster and stimulate the development of new or existing small businesses in the State of Texas.

### ELIGIBILITY

A new or improved product being developed, produced, and/or commercialized in the State of Texas, to include an invention, device, technique, or process, without regard to whether a patent has been or could be granted, that has advanced beyond the theoretical stage and has or is readily capable of having a commercial application. Pure research is ineligible.

A small business, defined as a legal entity which is domiciled in the State of Texas or has at least 51% of its employees located in the state, employs fewer than 100 full-time employees, and is independently owned and operated.

Any business in the State of Texas is eligible if the business is substantially likely to develop and expand the opportunities for small businesses in the state (for example, small business incubators) in the preferred industries listed below.

### FINANCING AVAILABLE

Asset-backed loans

# TEXAS

PRINCIPAL LIMITATIONS	Based on staff & board discretion; generally range from \$1 million - \$5 million
INTEREST RATE	Low variable IR
MAXIMUM TERM	15 years if financing personal property or working capital; 20 years for real property
SECURITY REQUIREMENT	Unencumbered tangible assets including property, plant and equipment; generally, minimum 1:1 Orderly Liquidated Value to Loan Amount (first lien required)
GUARANTORS	Third parties may serve as guarantors
USE OF FUNDS	Capital purchases or working capital infusions
ADVANTAGES	Flexible structure and terms, below-market interest rates
CREDIT COVENANTS	1.At least 3 years of audited annual financial statements 2.Max debt-to-equity ratio of 4:1 after incorporation of requested loan 3.Min current ratio of 1:1 after incorporation of requested loan, AND 4.Min debt service coverage factor of 1.2x after incorporation of requested loan
PREFERRED INDUSTRIES	Semiconductor, nanotechnology, biotechnology, or biomedicine products or businesses with the greatest likelihood of commercial success, job creation and retention in the state. <i>*Other products and businesses are eligible for consideration if approved by OOG/EDF</i>

## Skills Development Fund

Program created to assist Texas public community and technical colleges finance customized job training for their local businesses. The Fund was established by the Legislature in 1995 and is administered by the Texas Workforce Commission. Grants are provided to help companies and labor unions form partnerships with local community colleges and technical schools to provide custom job training. Average training costs is \$1,800 per trainee; however, the benefit may vary depending on the proposal.

## Self-Sufficiency Fund

Job-training program that is specifically designed for individuals that receive Temporary Assistance for Needy Families (TANF). The program links the business community with local educational institutions and is administered by the Texas Workforce Commission. The goal of the Fund is to assist TANF recipients become independent of government financial assistance. The Fund makes grants available to eligible public colleges or to eligible private, nonprofit organizations to provide customized job training and training support services for specific employers. A joint application from the employer and the eligible public college and/or eligible private, nonprofit organization is required to be submitted to the Local Workforce Development Board for review and comment prior to approval.

## Low interest financing

**Texas Leverage Fund (TLF):** The program provides financing for qualified projects in Texas municipalities by allowing communities to leverage future sales tax revenues to support economic development projects that promote business expansion, recruitment, and exporting. The program is geared toward small, rural communities which may be unable to access traditional sources of infrastructure financing like municipal bonds. Loans range from \$25,000 to \$5 million and may be available for interim, long-term or gap financing



# ALABAMA



## Constitutional Income Tax Limits and Federal Income Tax Deductions

There are constitutional restrictions in the Alabama Constitution of 1901 that add to the stability of Alabama's business income tax environment:

- Individual rate of income taxation is limited to no more than 5%. Amendment 25
- The individual taxpayer is allowed to deduct federal income tax paid from his individual gross income. Amendment 225
- Corporate rate of income taxation is limited to no more than 6.5%. Amendment 662
- Corporate taxpayer is allowed to deduct, from its gross apportioned and allocated Alabama income, the full apportioned Alabama amount of federal income taxes paid. Amendment 662

## Income Tax Net Operating Loss Carryforward

Corporate income tax law provides for a 15 year carryforward of net operating losses. In computing net income, a corporation is allowed a deduction for the sum of the net operating losses which are carried forward. Each net operating loss may be carried forward and deducted only during the 15 consecutive year period immediately following the year in which it arose.



## Income Tax Capital Credit

The income tax capital credit program sunset on January 2, 2016. Projects that filed a Form INT with the Alabama Department of Revenue on or before January 2, 2016, have been grandfathered into the program.

## Income Tax Enterprise Zone Credit or Exemption

The corporate income tax enterprise zone credit or exemption is offered to help encourage economic growth to areas in Alabama that are considered economically depressed. To qualify for either the credit or the exemption, a business must meet detailed requirements concerning site location and employee qualifications. The credit is equal to \$2,500 per new permanent employee and the exemption is up to a five year exemption pursuant to an executed contract entered into between the Governor and the qualifying company.

# ALABAMA

## Income Tax Education Credit

An employer could qualify to receive an income tax credit of 20 percent of the actual cost of an employer sponsored educational program that enhances basic skills of employees up to and including the twelfth grade functional level. This concept would include programs which teach English as a second language.

## Coal Credit

For the tax years beginning on and after January 1, 1995, every business, whether a C corporation or a pass through entity that is doing business in Alabama, as a producer of coal mined in Alabama, shall be allowed a credit against the tax imposed by Section 40-18-2, in the amount of one dollar (\$1) per ton of increased production of coal over the previous year's production of coal as set out herein below. Such tax credit shall be based on coal produced after January 1, 1995, provided the coal was mined in Alabama as certified by the producer of the coal. The amount of the total credit in any one year shall be based on the number of tons of Alabama coal produced by the business in the year which exceeds the number of tons of Alabama coal produced by the business in calendar year 1994. In the event a business did not produce Alabama coal during calendar year 1994, such company must establish a base year by producing Alabama coal for 12 consecutive months. Thereafter, such company shall be eligible for the tax credit as specified herein above over the base year production.

## Full Employment Act of 2011 Credit

Small businesses which employ 50 or fewer employees and create new jobs paying more than ten dollars (\$10) per hour can qualify for an income tax credit. Employers will receive an income tax credit equal to one thousand dollars (\$1,000) and shall be available in the tax year during which the employee has completed 12 months of consecutive employment. The employer must have a net increase in the total number of full time employees in Alabama on the last date of each tax year during which employees are hired for which the employer claims a credit, over the number employed in Alabama as of the last day of the tax year immediately preceding the first employment year. The income tax credit may be claimed for employees who are hired following June 9, 2011. This tax credit shall not exceed the amount of the taxpayer's state tax liability for which the credit is claimed. This credit is not refundable or transferable. An Employer is not allowed to receive both a credit under this provision and a credit provided under the Alabama Small Business and Agribusiness Jobs Act Credit.

## Alabama Small Business and Agribusiness Jobs Act Credit

Small businesses which employ 75 or fewer employees and creates new jobs paying more than \$40,000 annually can qualify for an income tax credit. Employers will receive an income tax credit equal to fifteen hundred dollars (\$1,500) and shall be available in the tax year during which the employee has completed 12 months of consecutive employment. The employer must have a net increase in the total number of full time employees residing in Alabama on the last date of each tax year during which employees are hired for which the employer claims a credit, over the number employed in Alabama on July 24, 2016. This tax credit is not transferable and shall not exceed the amount of the taxpayer's state tax liability for which the credit is claimed. Any unused credit can be carried forward three years.

## Heroes for Hire Tax Credit Act of 2012 Employer Credit

Sections 40-18-321 and 40-18-322, Code of Alabama 1975, provide qualified employers an additional credit against the Alabama income tax liability in the amount of \$1,000 for hiring full time recently deployed and now discharged unemployed veterans. Employees must meet the requirements in either the Full Employment Act of 2011 credit or the Alabama Small Business and Agribusiness Jobs Act Credit in addition to meeting the definition of a recently deployed unemployed veteran. Additionally, the new hire must be 1) a resident of Alabama at the time of entry into military service or mobilized to active, federal military service while a member of the Alabama National Guard or other reserve unit located in Alabama; 2) received an honorable or general discharge from active, federal military service within the two year period preceding the date of hire; and 3) has certification by the Department of Labor at the time of hire by either collecting or being eligible to collect unemployment benefits or having exhausted his or her unemployment benefits.

## **Heroes for Hire Tax Credit Act of 2012 Business Start-Up Expense Credit**

Section 40-18-323, Code of Alabama 1975, allows for a nonrefundable credit against the income tax liability to recently deployed unemployed veterans in an amount up to \$2,000 for expenses associated with one start-up business in which the veteran holds at least 50% ownership interest. The credit is only applicable for businesses: started after April 2, 2012, located within Alabama, and showing a net profit of at least \$3,000 for the year in which the credit is taken.

## **Qualified Irrigation System/Reservoir System Tax Credit**

Provides an income tax credit to any agricultural trade or business for the cost associated with the purchase, installation or conversion related to irrigation systems or the development of irrigation reservoirs and water wells. The credit is equal to 20 percent of the cost of the purchase and installation of any qualified irrigation equipment and any conversion costs related to the conversion of irrigation equipment from fuel to electricity or qualified reservoirs. This credit is limited to only one purchase and installation of qualified irrigation equipment or one qualified reservoir per taxpayer. The credit shall not exceed \$10,000 and shall not exceed the income tax liability in any year. Such credit shall be taken in the year in which the qualified irrigation equipment or the qualified reservoir is placed in service. The credit may be carried forward for 5 years.

## Alabama Accountability Credit

Act 2013-64 provides a tax credit for taxpayers that provide educational scholarships to qualifying schools. The credit is equal to 100% of the total contributions made to a scholarship granting organization for educational scholarships during the taxable year for which the credit is claimed up to 50% of the tax liability of the taxpayer. The credit may be carried forward for 3 years.

## Dual Enrollment Credit

Provides a state income tax credit to businesses that make contributions for qualifying educational expenses directly associated with the Career-Technical Dual Enrollment Program. The tax credit may be claimed by the taxpayer in an amount equal to 50 percent (50%) of the total contribution or contributions made to the Department of Postsecondary Education during the taxable year for which the credit is claimed, but such credit is not to exceed an amount greater than 50 percent (50%) of the taxpayer's total Alabama income tax liability, and in no case more than five hundred thousand dollars (\$500,000) for any given tax year. A taxpayer may carry forward all or part of a tax credit granted under this act for up to three (3) years.



## **Rehabilitation, Preservation and Development of Historic Structures Credit**

Provides an income tax credit against the tax liability of the taxpayer for the rehabilitation, preservation, and development of historic structures. The credit is equal to 25% of the qualified rehabilitation expenditures for certified historic structures. The act also provides a tax credit equal to 10% of the qualified rehabilitation expenditures for qualified pre-1936 non-historic structures. No tax credit claimed for any certified rehabilitation may exceed \$5,000,000 for all allowable property types except a certified historic residential structure, and \$50,000 for a certified historic residential structure. The entire credit must be claimed by the taxpayer in the taxable year in which the certified rehabilitation is placed in service. This credit is refundable and transferable but cannot be carried forward.

## **Investment Credit**

Provides for an investment credit to certain businesses for approved projects that create new jobs in Alabama. The credit is an amount of 1.5 percent of a qualified capital investment annually, for a period of 10 years to be applied against the income tax, estimated income taxes, the financial institution excise tax, or the insurance premium tax, with additional offsets of utility gross receipts and utility service use taxes. The investment credit, provided for by the Alabama Jobs Act, may be claimed as a credit against taxes paid with a carryforward for earned but unused amounts to the extent allowed in the project agreement. Any unused portion of this credit may be carried forward for up to five years.

# ALABAMA

## Port Credit

Establishes a tax credit for businesses that utilize Alabama's port facilities. The port credit allowable is an amount equal to \$50 per TEU, \$3 per net ton, or \$0.04 per kilogram for air freight, multiplied by the port user's cargo volume in the 12 month period (for which the Renewal of Alabama Commission has granted approval for the port user to claim the credit) minus the port user's base cargo volume. To qualify, the port user must ship more than 10 TEUs, more than 75 net tons, or more than 15,000 kilograms for air cargo. Also, the port user must ship more than 105 percent of its cargo volume in the 12 month period preceding the submission of the port credit application to the commission. This credit is nonrefundable, but any unused portion of the credit may be carried forward for up to five years.

## Growing Alabama Credit

Authorizes a tax credit to corporations and individuals that make cash contributions to local economic development organizations approved by the Renewal of Alabama Commission. The credit is the amount of the cash contribution made not to exceed 50% of the corporation's income tax liability for the current year. The corporation's cash contribution cannot exceed the amounts approved by the commission. This credit does not flow through to owners of pass through entities and is nontransferable. This credit may be carried forward for up to five years.

## Apprenticeship Tax Credit

Section 40-18-420 through Section 40-18-424, Code of Alabama 1975 provides for an income tax credit to employers in the amount up to \$1,000 per qualifying apprentice. An employer can claim up to five apprentices, not to exceed \$5,000 annually. This credit is nonrefundable, nontransferable and cannot be carried forward.

## Tax Abatements

**Sales and Use Tax Abatement:** Discretionary abatement of the non-educational portion of sales and use taxes on construction materials, equipment and other capitalized costs.

**Property Tax Abatement:** Discretionary abatement of the non-educational portion of property tax for up to 20 years.

## Special Zoning

**Enterprise Zone Credit/Exemption:** Businesses that locate in an Enterprise Zone may receive a tax credit or tax exemption for new job creation (up to \$2,500 per permanent job), investment tax credits, training grants of up to \$1,000 per new employee and an exemption of sales and use tax on purchases of construction materials. Employers with existing facilities in an Enterprise Zone that create at least 5 new jobs may also receive incentives.

## Job Training

**Employer Education Credit:** Tax credits are available to businesses that provide approved basic skills education to Alabama resident employees. The credit is 20% of the actual costs, limited to the employer's income tax liability. Certain requirements must be met.



# FLORIDA





## Tax Refund

**Qualified Target Industry Tax Refund (QTI):** This program provides a tax refund of \$3,000 per job (\$6,000 if a business is located in a rural county) to qualifying companies that create at least 10 net new jobs in one of Florida's target industry sectors. Businesses that meet certain industry and wage criteria may be eligible for bonus awards. The refund applies to a variety of Florida taxes including corporate income, sales, ad valorem, and intangible personal property. The local municipality must agree to contribute 20 percent of the approved tax refund for a business to be eligible for the QTI refund.

### Requirements:

- Operate in a qualified targeted industry
- Create a minimum of 10 new full-time jobs in Sarasota County
- Pay an average annual wage of 115% metropolitan statistical area (MSA) – \$48,102



# FLORIDA

**Qualified Defense and Space Contractor Tax Refund (QDSC):** Florida is committed to preserving and growing its high technology employment base by giving Florida defense, homeland security, and space business contractors a competitive edge in consolidating contracts or subcontracts, acquiring new contracts, or converting contracts to commercial production. Pre-approved applicants creating or retaining jobs in Florida may receive tax refunds of \$3,000 per net new Florida full-time equivalent job created or retained; \$6,000 in an Enterprise Zone or rural county. For businesses paying 150 percent of the average annual wage, add \$1,000 per job; for businesses paying 200 percent of the average annual salary, add \$2,000 per job.

## Tax credit

**Capital Investment Tax Credit (CITC):** The Capital Investment Tax Credit is used to attract and grow capital-intensive industries in Florida. It is an annual credit, provided for up to twenty years, against the corporate income tax. Eligible projects are those in designated high-impact portions of the following sectors: clean energy, biomedical technology, financial services, information technology, silicon technology, transportation equipment manufacturing, or be a corporate headquarters facility. Projects must also create a minimum of 100 jobs and invest at least \$25 million in eligible capital costs. Eligible capital costs include all expenses incurred in the acquisition, construction, installation, and equipping of a project from the beginning of construction to the commencement of operations. The level of investment and the project's Florida corporate income tax liability for the 20 years following commencement of operations determines the amount of the annual credit.

### Requirements

- Operate in a qualified targeted industry
- Create a minimum of 100 new full time jobs in Sarasota County
- Capital Investment of at least \$25 million

## Grants

**High Impact Performance Incentive (HIPI) Grant:** The High Impact Performance Incentive is a negotiated grant used to attract and grow major high impact facilities in Florida. Grants are provided to pre-approved applicants in certain high-impact sectors designated by the Florida Department of Economic Opportunity (DEO). In order to participate in the program, the project must: operate within designated high-impact portions of the following sectors– clean energy, corporate headquarters, financial services, life sciences, semiconductors, and transportation equipment manufacturing; create at least 50 new full-time equivalent jobs (if a R&D facility, create at least 25 new full-time equivalent jobs) in Florida in a three-year period; and make a cumulative investment in the state of at least \$50 million (if a R&D facility, make a cumulative investment of at least \$25 million) in a three-year period.

Once recommended by Enterprise Florida, Inc. (EFI) and approved by DEO, the high impact business is awarded 50 percent of the eligible grant upon commencement of operations and the balance of the awarded grant once full employment and capital investment goals are met

# FLORIDA

## Requirements:

Operate in a High Impact-designated qualified targeted industry

**Florida Job Growth Grant Fund:** Created in 2017, the Florida Job Growth Grant Fund (FJGGF) provides funding to local governments for public infrastructure projects (including transportation and utility needs) and job training initiatives. For the 2018-19 fiscal year (July 1-June 30), \$85 million has been made available for the fund. The FJGGF may not be used for the exclusive benefit of any single company, corporation, or business entity.

## Job training

**Quick Response Training (QRT):** Administered by CareerSource Florida, the program is a state-funded grant program that provides funding to qualifying businesses to train their net new, full-time employees. Grant funding is provided in the form of a performance-based reimbursable grant (12-month maximum term) for customized, skills-based training. Quick Response Training is available to new or expanding businesses in Florida's targeted industries. These industries are typically high-skill, produce exportable goods or services, and have wages of 125 percent above state or local wages.

**Incumbent Worker Training (IWT):** Administered by CareerSource Florida, the program provides grants for continuing education and training of current full-time employees at Florida companies. The grant can be used to reimburse companies for up to 75 percent of pre-approved training costs.

## Tax Exemptions

**Sales & Use Tax Exemptions:** Manufacturing equipment and machinery, commercial space activities, and R&D machinery and equipment are all exempt from Sales and Use Tax.

# FLORIDA

## **Stable and highly favorable advantages that make Florida a profitable location for every type of business**

- NO corporate income tax on limited partnerships
- NO corporate income tax on subchapter S-corporations
- NO state personal income tax guaranteed by constitutional provision
- NO corporate franchise tax on capital stock
- NO state-level property tax assessed
- NO property tax on business inventories
- NO property tax on goods-in-transit for up to 180 days
- NO sales and use tax on goods manufactured or produced in Florida for export outside the state
- NO sales tax on purchases of raw materials incorporated in a final product for resale, including non-reusable containers or packaging
- NO sales and use tax on co-generation of electricity



# MEXICO

 UNIDO DIGITAL





## What to consider if you invest in Mexico

### Strong Points

- Mexico attracts the most FDI in Central and South America, and is the world's 15th largest foreign direct investment (FDI) recipient, receiving USD29.6 billion in 2017
- In addition to being very open to foreign direct investment, the country is very well integrated into the world economic order: it is a member of NAFTA, OECD, G20 and the Pacific Alliance.
- It enjoys a strategic geographic location and acts as a transit platform to North America and Latin America.
- The country has a wide variety of natural resources, which allows the development of all types of industries at very competitive prices.
- The cost of labour (a young and abundant labour force) is not very high and is relatively well qualified.
- The country is the 8th biggest tourist destination in the world and has in parallel a large and important industrial base.
- The country now enjoys enviable economic and political stability in comparison with other countries in the region.

## Government Measures to Motivate or Restrict FDI

- The Mexican government has created an open and secure environment for foreign investors. The recent economic policies should allow investors to ensure the security of their operations, despite an unfavorable external environment at the global level. In 2007 ProMexico was created. It is a federal entity in charge of attracting foreign direct investment in Mexico.
- In June 2016, Special Economic Zones (SEZs) were created to attract investment to the economically underdeveloped areas in the southern states of the country. Companies setting up in these SEZs will receive various incentives, trade facilities, duty-free customs benefits, infrastructure development prerogatives and easier regulatory processes.
- Mexico is a leader in FDI attracted to Latin America. To this day, 27 bilateral agreements for the promotion and mutual protection of investments have been negotiated. This makes Mexico a safe place to invest and an ideal base for exporting.

# MEXICO

**Form of Company Preferred By Foreign Investors:** The most common forms of creating a business company are the Limited Liability Stock Corporation (Sociedad Anonima, S. A.) and the Limited Liability Company (Sociedad de Responsabilidad Limitada S.R.L.).

**Form of Establishment Preferred By Foreign Investors:** Subsidiaries and assembling plants for the 'maquiladora' (assembly plant) industry.

**Main Foreign Companies:** IBM, Coca-Cola, Motorola, Walmart, Inditex Group, BBVA Bancomer, Santander Group, Procter & Gamble, L'Oreal, etc.  
Also, 500 of the largest Latin American enterprises have a presence in Mexico

## Office Real Estate and Land Ownership

**The Possibility of Buying Land and Industrial and Commercial Buildings:** Yes.

**Risk of Expropriation:** Foreign investors have a right to a compensation if they are victims of expropriation for public means. Expropriations are governed by international law and require rapid fair market value compensation.

## Investment Aid

**Privileged Geographical Zones:** Mexican states are not permitted to compete to attract foreign investment with fiscal incentives. In spite of this, they compete fiercely through the development of programs that allow them to implement:

- Reduced real estate pricing
- Training programs for employees
- Reductions in tax payments

# MEXICO

In addition, Mexico enacted a law in June 2016 for the creation of Special Economic Zones (SEZs) in four relatively underdeveloped and economically disadvantaged regions of the country:

- The Pacific port of Lázaro Cárdenas (on the border of the states of Michoacán and Guerrero)
- The Isthmus of Tehuantepec (Veracruz and Oaxaca states)
- Puerto Chiapas (Chiapas)
- The Coatzacoalcos Corridor / Ciudad del Carmen (Campeche)

Companies setting up in these SEZs will be offered tax, customs duty and administrative and regulatory benefits.

# MEXICO

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## Opening a business in Mexico

Foreign legal entities who intend to perform business activities in Mexico shall obtain authorization from the Ministry of Economy. Foreign entities that intend to set up in Mexico, even if not governed by corporate laws by the Federal Civil Code, shall obtain authorization from the Ministry of Economy. This authorization will be granted within two weeks prior accomplishment of the following requirements:

- Foreign entities shall prove that their companies have been incorporated pursuant to their countries laws
- Their social contract and other constituent documents shall not be contrary to the Mexican laws
- For foreign legal entities that are established in Mexico or have settled an agency or branch in the country; or for foreign entities that have a representative with residence in the seat of operation, authorized to comply with the relevant obligations assumed



## Procedures before the Mexican Social Security Institute (IMSS)

- Employer registration before the Mexican Social Security Institute. Refer to this procedure, at:

[http://www.cofemertramites.gob.mx/intranet/co\\_dialog\\_PublishedTramite.asp?coNodes=1226973&num\\_modalidad=1](http://www.cofemertramites.gob.mx/intranet/co_dialog_PublishedTramite.asp?coNodes=1226973&num_modalidad=1)

Upon completion of this procedure, the companies will be automatically registered in the National Worker's Housing Fund and the Retirement Savings System.

- Company registration with the Occupational Risk Insurance of the Mexican Social Security Institute. Refer to this procedure, at:

[http://www.cofemertramites.gob.mx/intranet/co\\_dialog\\_PublishedTramite.asp?coNodes=1226956&num\\_modalidad=1](http://www.cofemertramites.gob.mx/intranet/co_dialog_PublishedTramite.asp?coNodes=1226956&num_modalidad=1)

These procedures with IMSS shall be carried out within five business days after hiring the workers.

## Procedures before the National Worker's Housing Fund (INFONAVIT)

Pursuant to the Law, employers shall comply with the following procedures:

- Registration of the employer and the employee in the INFONAVIT
- Submitting before the INFONAVIT a notice of any change regarding domicile, denomination or firm, increase or decrease of fiscal obligations, suspension or renewal of activities, closing, merging, division, alienation and bankruptcy statement and payment suspension, as well as any other circumstance that affects its registry before the Institute
- Submitting before the INFONAVIT a notice of entry, ending, wages modification, absences and disabilities and any other fact regarding employees that is necessary for the INFONAVIT
- Determine and pay contributions in the housing account of the National Housing Fund, as well as to withhold and pay allowances in the INFONAVIT's offices, or if necessary, in the receiving entities as indicated by the INFONAVIT

Employers shall register their workers by means of the authorized forms from the INFONAVIT, in its offices, or in the entities previously authorized by it, within 5 business days as of the date the labor relationship was initiated. In case a worker renders his/her services to several employers, each employer shall be obliged to register him/her in the INFONAVIT. The employer shall submit the IMSS social security number of the employee in order to register him/her.

## **Expedite Business Start-Up System (SARE)**

The Expedite Business Start-Up System (SARE) is a scheme that promotes the opening of all kinds of companies in one business day through the identification of the minimum federal procedures necessary to complete the set up and start operations, simplification of procedures and the expeditious processing by the federal authorities.

In addition, companies performing one of the 685 business activities (agribusiness, industrial, trade and services) deemed of low public risk and that are described in the Exhibit to the Decree establishing SARE, issued in the Official Gazette on January 28, 2002, will have up to 3 months to meet other federal mandatory requirements after obtaining the Taxpayer's Registry Number. During that period, the federal authorities may not request information or perform visits to verify compliance with such procedures.

As regards low risk activities and their benefits, the scheme was based on the 1999 Mexican Classification of Goods and Businesses (CMAP) by INEGI. Such activities account for 80% of the most frequent businesses in our country and are susceptible of being developed by micro, small and medium enterprises.

## Investor individuals

### Visas, permits or other requirements for foreign individuals entering Mexico's jurisdiction for business purposes

Mexican immigration laws and regulations are highly codified and are applied and enforced by the Ministry of Interior, in conjunction with the National Immigration Institute (INM). Foreign nationals who wish to enter as tourists, temporary visitors and business visitors, or to reside temporarily or permanently in the country, must apply for a visa before doing so. They can obtain a visa if they fulfil certain requirements imposed by the Mexican government.

# MEXICO

Mexican visas include the following:

## Business visa

The business visa applies to foreign nationals entering Mexico to conduct business activities; that is:

- To hold business meetings with private institutions, individuals or officials from Mexican businesses, employees or representatives of foreign businesses.
- Other similar activities.

The purpose of this visa is to allow business persons to enter Mexico temporarily for a short period (no longer than 180 days).

Making a visa application costs approximately USD40. Generally, it takes one to ten business days to obtain a visa from the consulate.

## Long-term visitor visa with non-permission to render gainful activities (up to ten years)

This can be obtained by directors, managers, chief executive officers and chief finance officers with a direct interest in Mexican branches of parent foreign companies, but with no intention to settle in the country and perform activities such as:

- Meetings within the premises of the company.
- Meetings with clients or prospective clients.
- Training courses.
- Seeking business or investment opportunities on behalf of the foreign branch.

A long-term visa may be granted to people with sufficient and necessary means to cover their expenses while in Mexico. Applicants can submit their application at their nearest Mexican consulate. This visa has a maximum validity of ten years and may be renewed. It also allows multiple entrances and departures. Generally, it takes one to ten business days to obtain a visa from the consulate. The consulate fee chart contains a breakdown of the cost for making a visa application, which is generally USD36 in total.

## Temporary resident visa/card for investors

This can be obtained by foreign employees who are neither:

- Receiving wages in Mexico.
- Hired by a local company.

The applicant must obtain a public deed of the Mexican legal entity or entities, granted by the Notary Public, attesting that the:

- Foreign individual owns part of the share capital of the Mexican entity.
- Investment amount actually disbursed exceeds 20,000 times (about USD90,000) the daily minimum wage.

Foreign individuals seeking to reside temporarily in Mexico or enter on a frequent basis, for a period exceeding 180 days, are advised to apply for the temporary resident visa/card for investors.

The visa has an initial validity of one year which can be further extended by one, two or three years. Applications, which generally cost about USD200 in total, are made via a local immigration office in Mexico.



## Tax regime

Individuals or entities (companies, associations, or partnerships, among others) that are governed by the legislation of another country in light of their nationality, domicile, residence, seat of operation, and other criteria, shall be deemed foreign nationals for taxation purposes.

### Residents in Mexico

- Nationals and foreign individuals who have established their residence in Mexico.
- When they have a residence in another country, they shall be deemed as residents in Mexico if they have their center of vital interests in the country; i. e., that more than 50% of the annual income of an individual is derived from a source of wealth located in Mexico, or, that the center of their professional activities is located in Mexico, among other cases.
- Individuals with Mexican nationality that are State officers or employees thereof, even when the center of their vital interests is located abroad.
- Entities (companies, associations or partnerships, among others) that have been incorporated pursuant to Mexican law, as well as those that have established in Mexico their main place of business or the seat of their management.

## Residents abroad

- Nationals and foreign individuals who do not have their residence in Mexico. Notwithstanding the foregoing, if they have their residence in Mexico, they shall be deemed as residents abroad if they do not have their center of vital interests in this country; i.e., that more than 50% of their annual income is not derived from a source of wealth located in Mexico, or, that the center of their professional activities is not located in Mexico, among other cases.
- Entities (companies, associations or partnerships, among others) that are not incorporated pursuant to Mexican law, as well as those that have not established in Mexico their main place of business or the seat of their management, but that maintain one or more permanent establishments in Mexico.

## Mexico: Income tax, VAT incentives in northern border region

A decree (dated 29 December 2018) was issued by the executive branch to promote the development of Mexico's northern border region (“frontera norte”). The incentives under the decree apply with respect to income tax (ISR) and value added tax (VAT), and will be available for a two-year period from 1 January 2019 through 31 December 2020. Under the decree, there are 43 municipalities listed, and investments that satisfy certain criteria (e.g., job creation) in those locations will be eligible for the tax incentives.

### Income tax incentives

For income tax (ISR) purposes, the incentives being made available are in the form of a tax credit, with the credit generally being equal to one third of the tax for the year (that is, income from the northern border region in proportion to total income of the taxpayer for the corresponding tax period). In other words, for taxpayers that conduct operations in the northern border area, as well as in other regions of Mexico, the tax incentives are applied in proportion to the income generated from the northern border region with respect to the taxpayer’s total income.

# MEXICO

The decree also addresses the tax benefits available for individuals who obtain income from business activities exclusively in the border region and who are residents of the region or have an establishment in the region and do not have access to certain other special regimes (e.g., the maquiladora sector).

Income is deemed to be exclusively from the northern border region if the income from that region represents at least 90% of the total income of the taxpayer for the previous fiscal year. There are special rules under the decree when the income is derived from intangible assets or digital commerce.

To take advantage of the tax incentives under the decree, taxpayers must request an authorization from the tax administration (SAT) no later than 31 March of the tax year at issue. The request made to SAT for registration as a beneficiary of the tax incentives for the northern border region must show that the taxpayer meets an 18-month threshold period requirement as well as other procedural requirements.

Authorization from the SAT will be valid for the tax year for which it was obtained and can be renewed.

If one of the requirements for obtaining SAT authorization is no longer satisfied, the taxpayer must cease applying the tax incentives available under the decree and must file a declaration with the tax administration (and possibly pay tax and any related surcharges or interest).

## VAT incentives

The decree offers an incentive equivalent to 50% of VAT on the transfer of goods, rendering of services, and granting of the temporary use or enjoyment of goods in the premises or establishments located in the northern border region. With this incentive, the effective rate of VAT in the border area would be 8% (a rate that is similar to the sales tax rates that exist in the southern states of the United States bordering Mexico).

The incentive is in the form of an automatic tax credit to be applied to the 16% VAT rate. The intention is to make Mexican border cities more competitive by having a more attractive rate for consumers, both domestic and foreign.

Like the incentives available for income tax, there are requirements that the SAT issued for this purpose that must be satisfied for the VAT relief. For instance, the VAT incentives do not apply with respect to certain digital commerce transactions.



# COLOMBIA

 UNIDO DIGITAL





# COLOMBIA

- In 2017, the country recorded USD 13,924 million of inward Foreign Direct Investment (FDI), an increase of 0.5% compared to the FDI recorded during 2016 (USD 13,850 million).
- In 2017, **70.6% of FDI in Colombia was assigned to sectors different from oil & mining**, such as: transport, storage and communications (22.5%); manufacturing (18.1%); financial and business services (11.9%) and commerce, restaurants and hotels (7.0%). (Central Bank of Colombia)
- From 2000-2017, **the top investor countries in Colombia were**: United States, with a share of 20.6%, United Kingdom (12.0%), Spain (9.6%), and Switzerland (6.0%).
- **During the first quarter of 2018, inward FDI in Colombia reached USD 2,133 million**, and 59.5% went to non-extractive activities. The sectors different from oil & mining that registered the highest participation were: financial and business services (18.4%), commerce, restaurants and hotels (13.9%), transport, storage and communications (13.3%), and construction (9.4%).

## Free Trade Zone Regime

Colombia has a competitive Free Trade Zone regime which grants the following benefits for projects for the production of goods or the provision of services:

- Single 20% income tax rate\*.
- No customs taxes (VAT and CUSTOMS DUTIES) are triggered when raw materials are introduced to the Free Trade Zone from abroad.
- Exports made from Free Trade Zones to foreign countries, may apply the benefits of international trade agreements signed by Colombia.
- Possibility of partial processing outside the Free Trade Zone for up to 9 months. This processing may not exceed 40% of the cost of the total production of goods or services.
- Possibility of selling to the national territory the goods or services without restrictions or quotas, paying the applicable custom duties on the imported goods.
- There is a **0% tariff for imports of capital goods and inputs not produced in Colombia**

## Permanent Free Trade Zones

Colombia has the most competitive Free Trade Zones in Latin America: A single 15% income tax rate, allowing sales in the local market. For producing goods, rendering services or undertaking commercial activities within a Multi-Company FTZ, companies must meet the following investment and job creation requirements during the first 3 years of the operation, taking into account the total assets of the company:

TOTAL ASSETS (USD)	INVESTMET (IN MILLION USD)	DIRECT EMPLOYMENT
0 – 138.019	0	7
138.019 – 1.380.193 Millions	276.039	20
1.380.193 Millions – 8.281.160 Millions	1.380.193 millions	30
More than 8.281.436 Millions	3.174.445 millions	50

\*Amounts are approximate. The exchange rate used in this chart was 1USD = 3,000. Ranges are defined law in accordance with the minimum legal monthly wages, which is COP 828.116 for the year 2019.

# COLOMBIA

FTZ/Sector	Investment (Millions of USD)*	Employment
Dairy	1.380.193	AND 50 direct jobs as follows: •20 during the first 3 years •20 during the following 3 years •10 during the 3 following years
Services	2.760.387	AND 500 direct jobs For health services 50% of employees may be associated.
	12.697.779	AND 350 direct jobs For health service 50% of employees may be associated.
	25.395.557	AND 150 direct jobs For health services 50% of employees may be associated.
Ports	41.405.800	AND 20 direct jobs 50 indirect jobs
Goods	41.405.800	AND 150 direct jobs
Agribusiness projects (specific sectors)	20.702.900	OR 500 direct or indirect jobs
Exploration and production of hydrocarbons off Shore	At least the pending amount in the contract signed with the ANH	AND 30 direct jobs

## Single Enterprise Free Trade Zones

This type of Free Trade Zone allows companies to establish themselves anywhere in the country for the development of an investment project with high economic and social impact.

\* Amounts defined in minimum legal monthly wages (COP 828.116 for the year 2019). Exchange rate 1USD 3,000.

\*\* For every 23.000 Minimum Monthly Legal Wages of new investment the employment requirement can be reduced in 15 employees. The employment number can never be less than 50.

## Legal Stability Agreements

These agreements provide insurance that the laws and their respective interpretation that investors found to be determining for investing will not be modified.

## Other Incentives

The Colombian government has created investment incentives concerning income tax exemptions in the following sectors: Hotels and Ecotourism Services; Late Yield Crops; Medical and Software products; Aeolian, Biomass and Agricultural Energy Generation; Publishing Companies.

### Incentives for hotels and tourism sector

Income from services provided in new hotels built, renovated or extended, will be taxed with a rate of 9% for a term of 20 years.

Requirements: municipalities of up to 200.000 inhabitants. Project takes place during the 10 years after the entry into force of the financing law (January 1, 2019).

New theme parks, ecotourism, agro tourism and new boat docks built in municipalities of up to 200.000 inhabitants, during the 10 years after the entry into force of the financing law will have a rate of 9% for 20 years. If the previously mentioned activities are made in municipalities with more than 200.000 inhabitants, during the 4 years after the entry into force of the law, a tax rate of 9% will apply for 10 years.

Colombia offers income tax exemptions in the sectors mentioned below. This benefit allows companies to pay 0%, instead of the general rate of 33%.

- Use of exempt income in agricultural projects and orange economy.
- Income associated to Social Housing (VIS for its acronym in Spanish) and Housing of Priority Social Interest (VIP for its acronym in Spanish).



# COLOMBIA

- Sale of electric power generated with wind power, biomass, solar, geothermal or generated by the sea movement as long as the carbon dioxide emission certificates are processed, obtained and sold in accordance with the terms of the Kyoto Protocol. Additionally, 50% of the resources obtained from the sale of said certificates shall be invested in works of social benefit in the region where the generator operates.
- River transportation services in low draft vessels.
- Regime of holding companies in Colombia (CHC). For Colombian companies who have as company purpose the holding of securities, the investment or holding of shares or participations in Colombian or foreign companies, or the management of those investments. The income from the sale or transfer of shares or participations in a CHC is exempt, except for the value corresponding to the profits obtained by activities carried out in Colombia.
- Mega investments. Is a special tax regime for 20 years for all the taxpayers of the income tax who generate at least 250 direct jobs and make new investments equal to or higher than 30.000.000 UVT (COP\$1. 028.100.000.000 for 2019 approx. USD \$342.000.000) within the national territory.

The benefits include a special income tax rate of 27%, exclusion of the presumptive income regime, exclusion of the dividends tax, benefits in terms of depreciation of assets and exclusion of the equity tax.

Additionally, for this investments a stability regime is created to keep the benefits in case of legal unfavorable changes in exchange for a premium of 75% of the value invested in each year during 5 years.

## **Incentives on capital goods**

0% tariff for the importation of capital goods and raw materials not produced in the country. Possibility of deducting from the income tax the VAT paid for the acquisition, construction, training and import of productive real fixed assets.

## Incentives to investment and donations for Scientific and Technological Development

Income taxpayers who directly or indirectly invest in, or give grants to, projects qualified as technological research and development can deduct the entire amount of their investment in the taxable year in which said investment was made. Additionally the investor may discount 25% of the invested value in the same taxable year in which it was made.

## Special Import - Export System for Services

"Plan Vallejo": This import-export system allows service exporting companies to import capital goods exempt from custom duties and sales tax (VAT).

### Who are the ZEEE users?

ZEEE users may be any legal entity, regardless of the nationality, that celebrates an Admission Contract with the Government in one of the corresponding areas.

Likewise, users may be domestic and foreign legal entities legally established in Colombia with a commercial registration and tax identification number that perform development works, construction and infrastructure of basic services, technological and civil services, as well as those engaged in the training of specialized manpower resource within the geographical area of operation of the ZEEE.

## Requirements for a project to qualify as eligible

- It must be a new investment.
- The investment must be developed only within the geographical scope of the above mentioned municipalities.
- The investment for projects submitted until December 31, 2015, must be of 35,000 Tax Value Units (“UVT” for its acronym in Spanish); for each project (approximately USD 414,127) and for projects submitted after December 31, 2015, the investment must be of 75,000 UVT for each project (approximately USD 887.416)
- 50% of the total investment of the project must be materialized in the first year, according to the commitments made in the Admission Contract. It is possible to authorize longer investment schedules if it is sufficiently justified that the investment cannot be carried on within this term.
- It is required that at least 50% of company sales are destined for foreign markets.

- Assume the obligation to comply with quantifiable commitments on employment generation, incorporation of advanced technology, chaining with national industry, remaining in the specific area, clean production and preserving among others, economic, social and cultural aspects of the area.

The applicable requirements to legal entities interested in advancing in resource training projects and specialized manpower, urban infrastructure, road systems, public service networks, and in general, installations to ensure the different modes of transportation are:

- Description of the project being developed.
- Project's financial and economic feasibility study.
- Determination of the composition or possible composition of the company.
- If it is applicable, obtain an environmental license in the competent authority.



## How can a company access the benefits of the ZEEE?

It must subscribe an Admission Contract. For this purpose, the company must be rated eligible by the Selection Committee, which is composed by the Ministry of Commerce, Industry and Tourism, the National Planning Department and the Mayor of the municipality in which the project will be located. In the case of projects that use agricultural raw materials, the Committee will also be integrated by the Ministry of Agriculture and Rural Development.

The application must be filed to the Ministry of Commerce, Industry and Tourism, who is appointed as the Technical Secretariat. Upon completion of the proceedings before the Technical Secretariat, the entity will submit a technical report evaluation to the Selection Committee, who will decide on the eligibility of the project.

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The contract must be signed by the legal representative of the company established in Colombia, the Colombian Tax Authority Director and the Mayor of the corresponding municipality. The duration of these contracts will be of at least 5 years, without exceeding 20 years.

Once the respective Admission Contract has been signed, the investor must provide a guarantee issued by a banking institution or an insurance company legally established in the country, within 10 business days of the signing of the relevant contract, on behalf of the Ministry of Commerce, Industry and Tourism for 10% of the total value of the investment.

## Benefits of the ZEEE

- In customs matters, the special regulations established for industrial users of goods and services of Free Trade Zones apply, in relation to the exemption from duties and VAT when equipment or raw materials from abroad are introduced.
- Regarding the labor system, it is allowed to:
- Generate working hours without night, dominical or holiday surcharges.
- Deduct 50% of the payroll taxes.

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- Subscribe labor contracts applying the integral salary regime for workers with income of 3 minimum wages onwards.
- Payments, account deposits and transfers abroad of interest and technical services by commercial companies are not subject to withholding tax or cause income or remittance taxes, as long as such payments are directly and exclusively linked to industrial activities carried on by companies incorporated for the execution of projects.
- Infrastructure projects that are classified as eligible in the Special Economic Zones are exempt from income tax and supplementary over the revenue achieved in the development of activities that are authorized within the respective Zone (specialized human resource training, urban infrastructure, public utilities, road systems and facilities for transportation systems)

## R&D + I investment incentives

Companies that invest in research projects, technological development or innovation will be entitled a 25% deduction of the value invested, from their income tax returns. This investment may be made via researchers, research groups or centers, centers of innovation and productivity, or technology-based incubators, among others.

Similarly, resources that a company receives that are destined for the development of scientific, technological or innovation projects, do not constitute income or fortuitous profit.

## ZOMAC

Companies that undertake all their economic activity in the areas most affected by Colombia's armed conflict (ZOMAC) and comply with the National Government's standards and requirements, enjoy discounts on their income tax payments. In order to access these tax deductions, companies must create direct jobs in ZOMAC through labor contracts that extend until December 31, 2027.

## Energy efficiency

In order to promote the development and use of unconventional energy sources, renewable ones in particular, companies that undertake efficient energy management will be entitled to a 50% income tax deduction on the value of their investments. Similarly, the machinery and some energy efficiency project teams are also VAT exempt. In order for this to apply, it is necessary that the machinery and teams will be used in projects related to the transport, industry, tertiary or residential sectors. Tax incentives such as these offer investors the chance to take advantage of opportunities in sectors including renewable energy and infrastructure. The investment of foreign capital also helps boost the local economy, and improve the competitiveness of Colombian companies.

Colombia has a regulatory scheme in place to ensure reliable long-term power supply. This scheme guarantees that the generation resources can satisfy the demand during an energy shortage at efficient prices.



Colombia ranked first in Latin America and eighth in the world, according to the "Energy Architecture Performance Index 2017". WEF, 2017.

Law 1715 of 2014 aims to promote the development and use of non-conventional sources of energy, mainly those of a renewable nature, in the national energy system, through its integration into the electricity market and gives access to tax incentives. This law establishes tax, accounting and tariff incentives to promote investments in Non-Conventional Renewable Energy (NCRE):

- Companies that make investments in NCRE may deduct up to 50% of the total value of these investments in their income tax return.
- The purchase of equipment and the acquisition of services destined to new investments, in NCRE, are exempt from VAT.
- Machinery, equipment, materials and inputs destined for investment in NCRE projects are exempt from the payment of Import Tariffs.
- The machines, equipment and civil works for NCRE projects are depreciated rapidly at an annual rate of 20%.

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