

# Amendments to the Mexican General Corporations Law

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March 18, 2016 Eduardo Corzo

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PRACTICES Mexico, Asia, International

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On March 14, 2016 the Mexican Ministry of Economy published in Official Gazette of the Federation a decree amending the General Corporations Law (*Ley General de Sociedades Mercantiles*) which will allow the incorporation of Mexican simplified commercial corporations or “**SAS**” (*sociedad por acciones simplificada*) within a 24-hour time frame.

In the past, all corporations in Mexico required at least two shareholders. Now, the amendment allows the incorporation of an SAS with a single shareholder to the extent that the corporation complies with the following requirements:

- An SAS must be formed by one or more individual shareholders (i.e., no entities);
- Individual shareholders are not allowed to be shareholders of any other commercial entities if such participation allows them to have control.
- The total annual income of the SAS cannot exceed five million Pesos (equivalent to USD\$278,000 at an exchange rate of MXP\$18 per USD\$1) with the understanding that such value will be updated on an annual basis;
- If the annual income threshold is exceeded, then the SAS must be transformed into another type of commercial entity contemplated by the General Corporations Law;
- An SAS shall be represented by a sole manager who must be a shareholder. Any duly appointed sole manager of an SAS will be considered to have sufficient authority to enter into any type of agreement on behalf of the SAS;
- The by-laws and the incorporation agreement, including any subsequent amendments, must be electronically filed with the Ministry of Economy. Both the incorporation agreement and the electronic registry will suffice to prove the valid existence of an SAS; and
- An SAS must be registered electronically before the Mexican Public Registry of Commerce to have a valid effect before third parties.

SAS will also be regulated by the applicable provisions of traditional corporations (*Sociedades Anónimas*), including for purposes of transformation, merger, dissolution and winding-up. They may also be incorporated without the need of a notary public (*fast track process*) which makes the incorporation process more cost efficient and expedited than regular corporations.

The amendment intends to incentivize the incorporation of new small businesses at a lower cost and in less time. Although this amendment is crafted to help small businesses in Mexico, it is a first step towards a more modern, flexible and expedited regulation for corporations in general. The amendment will become effective on September 14, 2016).

Following such amendments, the Mexican government intends to simplify other type of registries such as the taxpayer registry and the social security registry. It is also expected that future regulations will focus on simplifying local license permits (*licencias de funcionamiento*).

For more information, please contact: