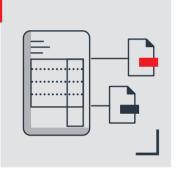
HOW TO APPLY FOR EXEMPTION





EXEMPTION FOR MEXICANS:

You can use the exemption having a voting card (INE) that has the same address as the property you are selling. Foreigners with any type of residency are NOT Mexicans.



If you don't have a voting card with the same address of the property you are selling, then you use a utility bill from the address you are selling with your RFC (tax number) inserted in that utility bill. The notary usually asks for the last 6 utility bills, you need to ask your agent or closing coordinator what is the criteria used by the notary that is handling your closing. Is very important that your RFC (tax number) has a different address that the property you are selling as a permanent resident when you get your RFC, you can get your FIEL (electronic signature), and with that, you can easily change online your address when desired. But if you are a temporary resident, you cannot get a FIEL (electronic signature) unless you have a work permit.



EXEMPTION FOR FOREIGNERS WHO ARE RESIDENTS WITH A TAX NUMBER:

Foreigners can only use the option of a utility bill from the address you are selling with your RFC (tax number) inserted in that utility bill, the notary usually asks for the last 6 utility bills, but some notaries allow you that as long as the last one has that RFC inserted you are fine. (Check this with your closing coordinator) Notice that the price you paid for your property is also added to the calculation but DO NOT expect that the exemption applies to the gain resulting in what you bought and what you are selling for, the exemption applies to a the price you are selling for and is the selling price is above what is allowed to exempt that 's where the tax is calculated on.

THE EXEMPTION APPLIES TOWARDS THE AMOUNT YOU ARE SELLING AND COULD BE THE CASE THAT THE EXEMPTION IS NOT TOTAL. ACCORDING TO OUR FISCAL LAW CURRENTLY THE AMOUNT THAT YOU ARE ALLOWED TO EXEMPT IS 700,000 UDIS (INVESTMENT UNITS), EACH UDI HAS A VALUE THAT VARIES ACCORDING TO THE INFLATION RATE AND AS OF TODAY IS MORE OR LESS EQUAL TO \$4,800,000 PESOS (ABOUT \$240,000 USD DEPENDING ON THE EXCHANGE RATE)

HOW TO APPLY FOR EXEMPTION



EXAMPLES



If you sell your house for \$5,000,000 pesos (about \$250,000 USD) and pay an 8% commission (\$20,000 USD), you will likely pay \$0 pesos in taxes.





In the case that you sell your home for \$7,000,000 pesos (about \$350,000 USD) and you pay realtors an 8% commission plus VAT tax currently at 16% (\$32,480 USD), the Capital gains that you will pay will be the amount you get when you apply the tax rate of 35% to the net gain, which is the difference between \$350,000 USD (selling price) and \$240,000 USD. The latter one is roughly the dollar amount corresponding to the exemption, plus the commission (\$32,480 USD)

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The tax amount to be paid can be up to 35% of the \$77,520 USD. This is only an estimate as there are other items that need also be considered such as the time the property has been in your possession plus the inflation rate.

Also is very important that you notice we are using USD for better explanation, but all calculations have to be made in pesos according to our fiscal law, so the exchange rate at the time you sell has a huge impact on your calculations.

MAKE SURE BEFORE YOU PUT YOUR PROPERTY IN THE MARKET ASK FOR AN ESTIMATE OF CAPITAL GAINS AND ASK YOUR AGENT OR YOUR LAWYER BEST WAYS TO DEAL WITH TAXES IN THE MOST BENEFIT WAY FOR YOU. BECAUSE THERE ARE OBLIGATIONS THAT NEED TO BE ACCOMPLISHED AFTER YOU SELL TO AVOID GETTING IN PROBLEMS WITH THE MEXICAN IRS.