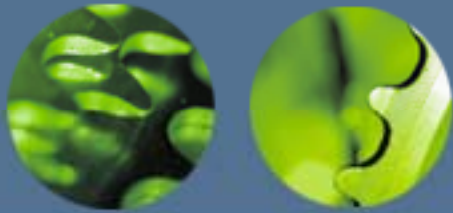




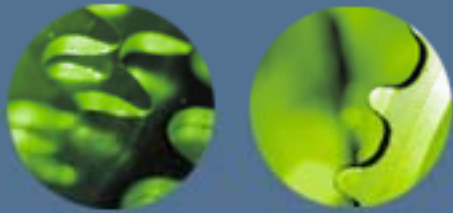
## **Law for Competitiveness and Economic Development of Baja California**





## Law's Main Objective

To impulse business competitively and the State's Economic Development through the Business Development Policy.



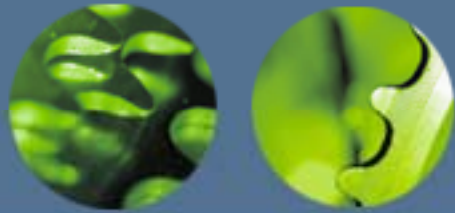
## Benefits Granted by the Law

### A) Tax Benefits

1. Exemption on the Payroll Tax:
  - A. Investment Projects (New investment projects & expansion investment projects)
  - B. Primary Sector Exports
  - C. Mexican Companies with sales in other States or Exports
  - D. Disabled or elderly hiring (age 60 + ).
2. 30% exemption from the monthly payment based on the water percentage that a company reuses or treats; exemption will last as long as the company reuses or treats water.
3. 20 or 50% exemption in Water Connection System Fee derived from an Investment Project.

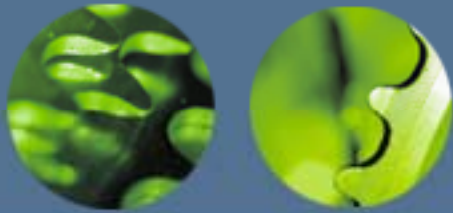
### B) Non Tax Benefits:

Assistance, business development, infrastructure & market access.



# Investment Project Evaluation System

What is evaluated?	How is it evaluated?	How is it approved?
New Jobs Created	Quantity	Payroll Tax Declaration
Wage Level of the New Jobs	Quality	Payroll Tax Declaration
Private Investment	Amount and Source	Tax Documentation and Deed of Incorporation
Investment in Technology	Cost of the Technology Development	Projection, Expense, Invoice
National Suppliers	Local Suppliers	Sales, Invoice
Product Market	Export	Declaration Form (Pedimento)
Project Location	Outside the inner city limits	Property Registration



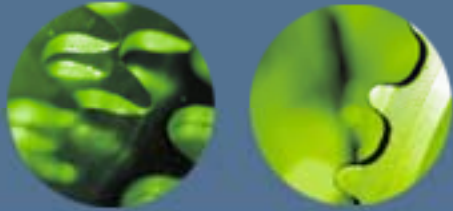
## I. JOBS CREATED

### **SCHEME 1. - Number of direct jobs derived from your company's investment project:**

a) From 1 to 10 jobs	----->	1 credit
b) From 11 to 50 jobs	----->	3 credits
c) From 51 to 250 jobs	----->	6 credits
d) From 251 to 500 jobs	----->	9 credits
e) More than 500 jobs	----->	12 credits

### **SCHEME 2. - Number of informal jobs derived from the investment project. These jobs must correspond to new companies established in Baja California, as a straight consequence of your investment Project:**

a) From 11 to 50 jobs	----->	1 credit
b) From 51 to 250 jobs	----->	2 credits
c) From 251 to 500 jobs	----->	3 credits
d) From 501 to 750 jobs	----->	4 credits
e) More than 750 jobs	----->	5 credits

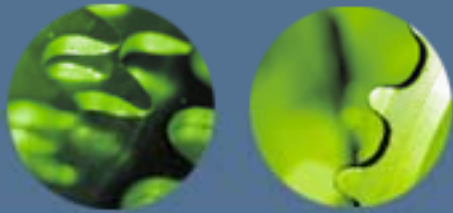


**SCHEME 3. - Students from technical institutions; college and university's with official validation or recognition of studies, incorporated in the production process of the company. There must be a linkage agreement between the institute and your company:**

- a) From 1 to 5 students -----> 2 credits
- b) From 6 to 15 students -----> 3 credits
- c) More than 15 students -----> 4 credits

**SCHEME 4. - Elderly and/or disabled hired persons, that represent:**

- a) At least 5% of total staff -----> 1 credit
- b) Between 6 and 10% of total staff -----> 2 credits
- c) More than 10% of total staff -----> 5 credits



## II. WAGE LEVEL OF THE NEW EMPLOYMENTS

### **SCHEME 1. - From 11 to 50 direct new jobs with a daily average wage of:**

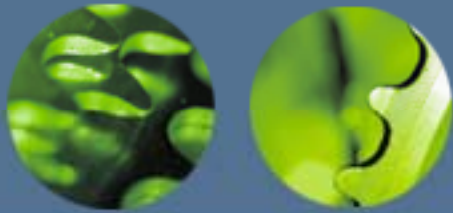
- a) Between 3 and 5 minimum wages -----▶ 2 credits
- b) Between 6 and 8 minimum wages -----▶ 3 credits
- c) Between 9 and 11 minimum wages -----▶ 4 credits
- d) More than 11 minimum wages -----▶ 5 credits

### **SCHEME 2. - From 51 to 250 direct new jobs with a daily average wage of:**

- a) Between 3 and 5 minimum wages -----▶ 3 credits
- b) Between 6 and 8 minimum wages -----▶ 6 credits
- c) Between 9 and 11 minimum wages -----▶ 8 credits
- d) More than 11 minimum wages -----▶ 10 credits

### **SCHEME 3. - Creating more than 250 direct new jobs with a daily average wage of:**

- a) Between 3 and 5 minimum wages -----▶ 6 credits
- b) Between 6 and 8 minimum wages -----▶ 9 credits
- c) Between 9 and 11 minimum wages -----▶ 12 credits
- d) More than 11 minimum wages -----▶ 15 credits



### III. AMOUNT AND ORIGIN OF THE INVESTMENT

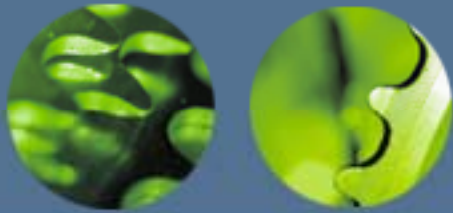
#### **SCHEME 1. - Total amount of the new investment or extension project, including all construction and capital assets:**

- |  |        |            |
|--|--------|------------|
| a) 250,000 USD or less                             | -----> | 1 credit   |
| b) More than \$ 250,000 and up to \$1 million USD  | -----> | 2 credits  |
| c) More than 1 million and up to 5 million USD     | -----> | 4 credits  |
| d) More than 5 millions and up to 50 million USD   | -----> | 6 credits  |
| e) More than 50 millions and up to 100 million USD | -----> | 8 credits  |
| f) More than 100 million USD                       | -----> | 10 credits |

#### **SCHEME 2. – Source of capital invested in the project:**

- |  |        |           |
|--|--------|-----------|
| a) 100 % foreign   | -----> | 2 credits |
| b) More than 50 % foreign but less than the percentage mentioned in the previous interjection                            | -----> | 4 credits |
| c) 50 % foreign and 50 % national or local   | -----> | 5 credits |
| d) More than 50 % national, or more than 50 % local but less than the percentage mentioned in the following interjection | -----> | 6 credits |
| e) 100 % Local   | -----> | 7 credits |

**Dollars will be understood as the currency of the United States of America. Its equivalence in National Currency will be determined according to the exchange rate at the date of the application presented upon the state authority.**



## IV. INVESTMENT IN TECHNOLOGY

### SCHEME 1. - When the amount represents at least:

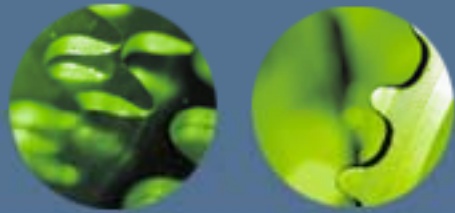
- |  |        |            |
|--|--------|------------|
| a) 0.5% of the value of its annual sales | -----> | 3 credits  |
| b) 1.0% of the value of its annual sales | -----> | 5 credits  |
| c) 2.5% of the value of its annual sales | -----> | 7 credits  |
| d) 5.0% of the value of its annual sales | -----> | 10 credits |
| e) 10% of the value of its annual sales  | -----> | 12 credits |

## V. SUPPLIERS

### SCHEME 1. - The acquisition of supplies from companies established in the State and/or the country, including those that incorporate in their processes, products made in the State:

- |  |        |           |
|--|--------|-----------|
| a) Between 10 and 25% of the total value of the acquisitions are made in the State or in any other State of Mexico | -----> | 3 credits |
| b) Between 26 and 50% of the total value of the acquisitions are made in the State or in any other State of Mexico | -----> | 5 credits |
| c) More than 51% of the total value of the acquisitions is made in the State or in any other State of Mexico       | -----> | 6 credits |
| d) Between 75 and 90% of the total value of acquisitions are made in the State                                     | -----> | 7 credits |
| e) More than 90% of the total value of acquisitions are made in the State  | -----> | 8 credits |

This scheme excludes the purchase of electric or any other type of energy, water, gas and telecommunications.

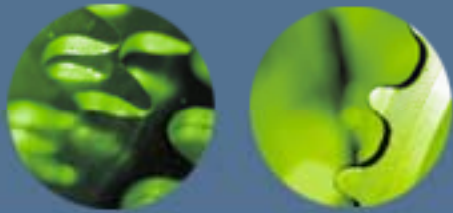


## VI. PRODUCT MARKET

**SCHEME 1. - Companies that through processes of manufacturing, production, transformation, repair or industrialization, make products that are distributed in other markets (not including the State of Baja California) representing an annual total production:**

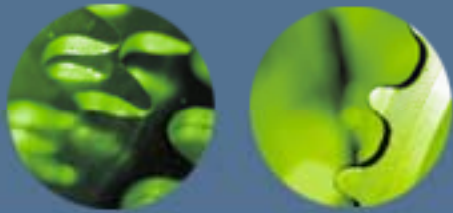
- a) Between 10 and 33%, in national or foreign markets -----▶ 2 credits
- b) More than 33 and up to 66%, in national markets -----▶ 3 credits
- c) More than 33 and up to 66%, in foreign markets -----▶ 4 credits
- d) More than 66%, in national markets -----▶ 5 credits
- e) More than 66%, in foreign markets -----▶ 6 credits

**Additional credits.** – The company that develops an investment project out of the inner city limits will obtain **15 extra credits** in addition to the one's obtained in fractions I through VI of the present article.



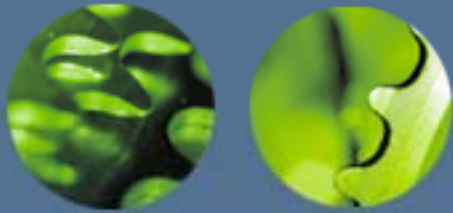
## Tax Incentives for Investment Projects

	CREDITS	TAX INCENTIVE	TIME	PERCENTAGE	
				Jobs Created	Actual Jobs
I	28-29	Payroll Tax	1 <sup>st</sup> Year	100%	
II	30-31	Payroll Tax	1 <sup>st</sup> Year	100%	
			2 <sup>nd</sup> Year	50%	
III	32-44	Payroll Tax	1 <sup>st</sup> Year	100%	50%
			2 <sup>nd</sup> Year	100%	50%
			3 <sup>rd</sup> Year	75%	50%



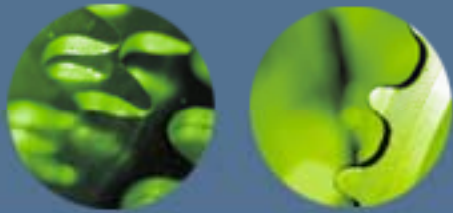
## Tax Incentives for Investment Projects

	CREDITS	TAX INCENTIVE	TIME	PERCENTAGE	
				Jobs Created	Actual Jobs
IV	45-54	Payroll Tax	1 <sup>st</sup> Year	100%	50%
			2 <sup>nd</sup> Year	100%	50%
			3 <sup>rd</sup> Year	75%	50%
			4 <sup>th</sup> Year	50%	50%



## Tax Incentives for Investment Projects

	CREDITS	TAX BENEFIT	TIME	PERCENTAGE	
				Jobs Created	Actual Jobs
V	55 or more	Payroll Tax	1 <sup>st</sup> Year	100%	50%
			2 <sup>nd</sup> Year	100%	50%
			3 <sup>rd</sup> Year	75%	50%
			4 <sup>th</sup> Year	50%	50%
			5 <sup>th</sup> Year	25%	25%



## Tax Incentives for Investment Projects

In addition, the companies will obtain the following tax incentive:

CREDITS	TAX BENEFIT	PERCENTAGE	TIME
45-59	Water Connection Fee	20%	On only one occasion
60 or more	Water Connection Fee	50%	On only one occasion