

CORPORATIONS

1. TYPES OF CORPORATIONS.

Foreign individuals and foreign legal entities are able to participate in the incorporation of a Mexican company or, where appropriate, acquire any type of participation or interest in an existing Mexican corporation.

For these purposes, the General Law of Commercial Companies recognizes the following types of corporations¹:

- I. Limited liability stock company (Sociedad Anónima);
- II. Simplified joint stock company (Sociedad por Acciones Simplificada);
- III. Limited liability company (Sociedad de Responsabilidad Limitada);
- IV. Cooperative company (Sociedad Cooperativa);
- V. General partnership (Sociedad en Nombre Colectivo);
- VI. Limited partnership (Sociedad en Comandita Simple); and,
- VII. Limited partnership by shares (Sociedad en Comandita por Acciones).

Accordingly, if foreigners wish to participate in the constitution of a new company, they should consider, among others aspects, the following:

- a) The number of partners with which they intend to establish the company;
- b) The responsibility that they are willing to assume with respect to the obligations incurred by the company; and
- c) The ease to include new partners or to transfer participation in the company.

In practice, the most commonly constituted corporations are the limited liability stock company and the limited liability company, because of the benefits they offer by making a clear separation of the company's capital and the partner's equity.

The following table explains the key features of these two companies:

	Limited liability stock company	Limited liability company
Number of partners	At least two.	A minimum of two and a maximum of fifty.
Integration of the share capital	Shares. The partners (shareholders) can have more than one share.	Equity interests. Partners can only have one equity interest, regardless of the value of their contribution to the company.

¹ [Article 1 of the General Law of Commercial Companies](#)

Limit of liability of the partners	Up to the amount of their shares.	Up to the amount of their equity interest.
Transfer of the shares of the capital	Shares may be transferred freely.	Requires that partners representing the majority of the capital stock approve the transfer of the equity interest.
Limits on foreign participation	None in principle. However, the partners of a Mexican corporation are allowed to include a “foreigners’ exclusion clause” within the by-laws of the corporation that would prevent foreigners to participate in the company, directly or indirectly.	

2. SIMPLIFIED JOINT STOCK COMPANY (SOCIEDAD POR ACCIONES SIMPLIFICADA, IN SPANISH).

On March 14, 2016, a decree was published in the Official Gazette of the Federation ([Decreto por el que se reforman y adicionan diversas disposiciones de la Ley General de Sociedades Mercantiles](#)) that reformed and added several provisions of the General Law of Commercial Companies, and created a new corporate regime called “Simplified Joint Stock Company”.

This type of corporation does not require a specific number of partners (it may be even unipersonal), and their liability is limited to the payment of their contributions, represented by shares. It does not have minimum capital requirements and its constitution is free and by electronic means of communication.

However, the Simplified Joint Stock Company is more suitable for micro and small companies, since the annual total revenues of this type of company may only reach five million Mexican pesos. In case of exceeding this amount, the company must be transformed into any other type of corporate regime referred to in the General Law of Commercial Companies.