



CONTADORES
INTERNACIONALES
DE LOS CABOS S.C.

¿How does the CIDLC strategy work?

The CIDLC strategy is geared towards renting vacation homes easily and legally.

Mexican law makes it very complicated for a foreigner to engage in business activities unless they get migratory permits and comply with other tedious and time consuming procedures, with the added problem of having to pay 25% income tax with no deductions allowed!

At CIDLC we have designed a product that allows foreign homeowners a legal and tax efficient way to rent their vacation home and also enjoy their time in Mexico by not having to worry about the legal, fiscal and administrative side of the rental business while they are on VACATION!

More importantly, allowing the homeowner to pay taxes on their profit, not their income!

How does it work?

Through a contract with a specialized Mexican company we have created, specifically for this purpose, we create a Joint Venture that allows us to carry the legal, fiscal and administrative responsibility, and allows us to legally deduct most of your home and vacation expenses, thus lowering the taxable income.

The most important thing to know about this system is that it's legal, it protects the identity of the homeowner, and we minimize taxes by providing the means to deduct most of the expenses generated from their vacation home and their trips down to Mexico. Any money that is withdrawn from the Joint Venture bank account will be subject to the normal tax obligations as profit is created.

Set Up:

- The Homeowner and Desierto Rental Partners start up a contract that will allow the Homeowner to have legal and fiscal personality. This contract allows foreigners to engage in the rental activity without the need for an FM migration form and provides anonymity towards the Mexican Tax Beureau.

Process:

- a. Rental income is deposited in a new bank account that will be specially opened for each homeowner's specific rental activity.
- b. Rental Income funds are used to pay for home expenses, via your property manager.
 - i. Deductable expenses such as utilities, property management, property tax, etc, are itemized in final page.
- c. Using rental income freely: If the homeowner wants to use the rental income directly (not via property manager) for **deductable expenses**, they may purchase the item with their personal credit card, and ask for a *factura* from the store (this will require a tax id number or RFC provided by DRP). Provided the *factura*, Desierto Rental Partners will reimburse the homeowner, if their account has funds and the expense is deductible.
- d. Remaining balance may be kept in the account for future expenses or sent to a US account of your choosing. Sending money to US accounts will cause taxes in Mexico (that can be credited your US accounting), because it is treated as a profit withdrawn from the rental activity. The key to low gains tax is using your rental income to pay for your home and vacation expenses. The more money you take out, the more taxes you will pay!
- e. Taxes: Desierto Rental Partners will declare monthly tax statements and execute payment of any tax owed by the homeowner.
 - ISR, IETU, VAT and hospitality tax.
 - Home owner is able to recuperate the VAT tax on all his operating expenses.

Deliverables:

- Monthly income and expense report plus our recommendations to minimize taxes.
- Previous month tax declaration.
- Annual Tax Declaration

Fees:

- Desierto Rental Partners will receive 2% of profit. This allows us to legally sustain that we are in fact in a Joint Venture.
- CIDLC will provide accounting, legal and tax planning services at \$250 USD a month.

CIDLC is proud to provide the international home owner a viable option to legalize their rental operation, thus protecting their investment and contributing to their host community.

For more information we would be glad to help and guide you through, please contact us at:

mgmthelp@pedregal.com

Deductable expenses:

1. Maintenance materials & services
2. Cleaning Services
3. Utilities
4. Home Insurance
5. HOA fees
6. Stocking of pantry
7. Transportation costs (Air fare, car rental)
8. Catering and entertainment

9. Refurbishing or renovating of property
 10. Home Equipment
 11. Property Tax
 12. Fiduciary costs
 13. Rental commissions
 14. Marketing
 15. Outdoor activities (golfing, scuba, tours, etc.)
- For expenses to be legally deducted, homeowner must obtain a factura (legal invoice)

