

MEXICO

destination of choice

BY ALEX FRAZER-HARRISON

Despite current global economic uncertainty, Mexico continues to be a destination of choice for Albertans looking to purchase recreational property outside of Canada.

Indeed, the very same week the international stock markets accelerated their epic tumble in October, representatives of numerous Mexican developments hosted a trade show in Calgary to promote Mexico as a worthwhile place to buy and invest.

"The economic situation in Mexico is still relatively strong, especially when compared to the U.S.," says John Alty, a former Vancouverite who is now vice-president of sales and marketing Mexico for Lereco. "It's got a lot of oil, tourism, and it seems to be holding up quite well."

Resort destinations, especially those with international airports, remain strong draws, Alty says.

"Places like Cancun: last year, prices went up 15 per cent, and we're expecting another 10 per cent increase this year," he says.

Despite the ups and downs of the economy and the dollar, Mexico possesses an ongoing appeal that transcends these concerns for many buyers who want to get involved in the lifestyle

associated with Mexico.

"Mexico has always been a great place to go on vacation, since the beaches and the weather are a few of the beauties we offer," says Miguel Mosqueda, partner and CEO of La Vida Residence Club, a fractional-ownership development in Playa del Carmen. "(That's) regardless of the great equity we have been giving during the last 10 years here in the Riviera Maya."

Gail Wallace, founder of Canadians Investing and Retiring Abroad (invest-retire-abroad.com), says developers and realtors are becoming creative when it comes to promoting their product to customers who might be a bit more reluctant than they might have been a few months ago.

Some of these ideas are nothing new. For example, La Vida offers the fractional-ownership option, which is often seen as more affordable for those not planning to spend more than a few weeks at a time at their Mexican getaway.

"Fractional has always been a popular choice in Canada since this kind of program began in ski resorts," says Mosqueda. "People realize it's easier to maintain, better to use and cheaper to acquire and still own a deeded property without all the hazard of paying the bills of a second home."

Alty says many Mexican developers targeted Canadian buyers at a time when the Canadian dollar was at, or even over par, with the U.S. greenback. Now that this has changed,

with the dollar in the last few months retreating to early-2000s levels, "this winter will be interesting to see," he says. "But there are still a lot of people who want to get out of the cold."

Alty says the traditional resort hot spots continue to be high in demand for those looking for recreation property, although there has also been interest shown in other areas, such as Puerto Peñasco on the Sea of Cortez, which is only four hours by car from Phoenix.

The country continues to attract a wide variety of demographics, Alty adds. "I would say the bulk of Canadians living down here are in the 35-55 range, and you certainly get people coming down here to retire," he says. "There are also a few young people who like the idea of working in Mexico and the lifestyle here."

But those who do plan to relocate to Mexico full time, or spend half the year there, need to be aware of tax and other implications, says David Ingram, a cross-border tax expert with the CEN-TA Group.

"The most common problem I see is Canadians think they don't have to pay any tax down there," he says. "But they're catching people a lot more than they used to."

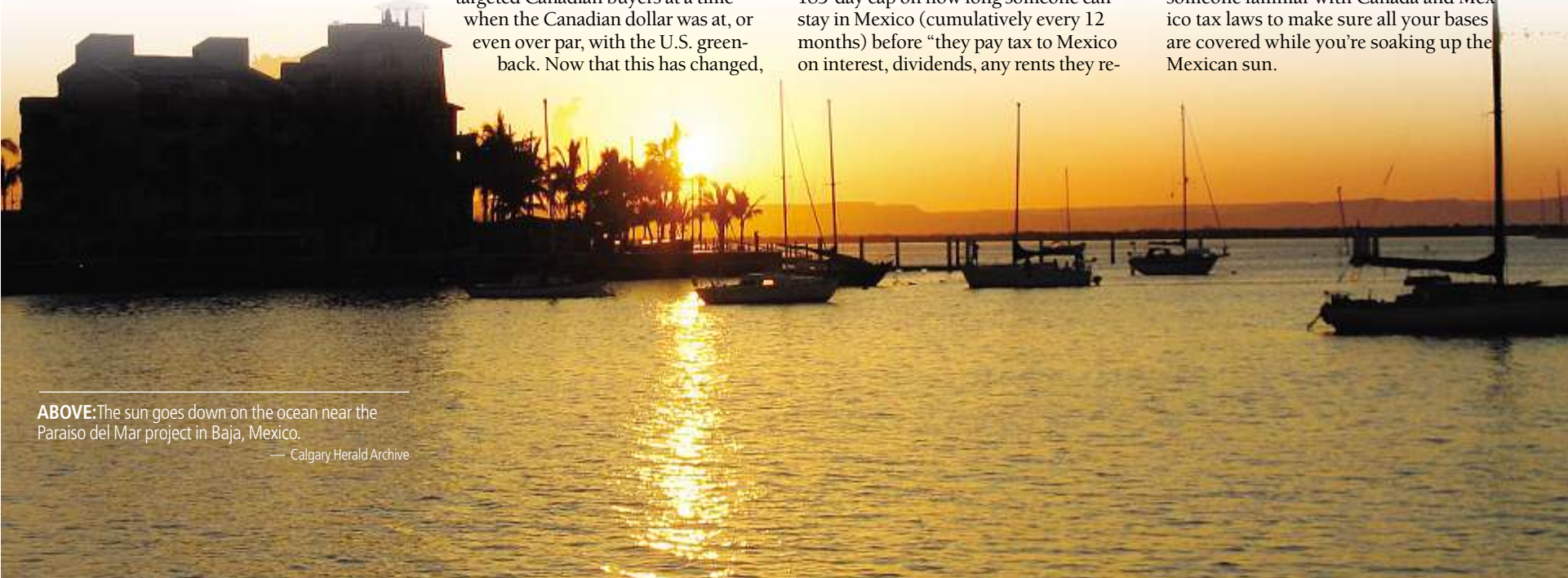
For example, Ingram says, some consumers may not be aware of a treaty between Canada and Mexico that puts a 183-day cap on how long someone can stay in Mexico (cumulatively every 12 months) before "they pay tax to Mexico on interest, dividends, any rents they re-

ceive, any royalties they receive, and any wages they receive." Pensions and annuities may be taxable in Mexico, too, Ingram notes.

"Wages are slightly different," he says. "They're taxable if you're in Mexico for more than 183 days or earn more than \$16,000. If you (worked in Mexico) for three months and were paid (by a Calgary company) and at the end of the three months you made \$18,000, you'd owe tax first to Mexico. If you were in Mexico for more than 183 days but only making \$2,000 — on which you could live quite comfortably — you would owe tax to Mexico."

Another thing to consider is the status of one's Alberta hospitalization. "Not a single person (at a recent Calgary seminar) recognized this: as soon as you're in Mexico long enough, you lose your Alberta medical," Ingram says, noting the magic 183 days comes into play again, as the threshold for being out-of-province before coverage kicks out — and again it's cumulative. This means 170 days spent in Mexico, coupled with 14 days visiting other provinces, might be enough to result in loss of Alberta coverage, he says, adding some provinces may offer one-time exemptions.

Ingram says it's important to consult someone familiar with Canada and Mexico tax laws to make sure all your bases are covered while you're soaking up the Mexican sun.



ABOVE: The sun goes down on the ocean near the Paraiso del Mar project in Baja, Mexico.

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