

RIF, THE MEXICAN STRATEGY TO COMBAT INFORMALITY

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ABSTRACT

His paper evaluates the effectiveness of the strategies established by the Mexican government since 2014 to decrease the activity carried out by companies in the informal economy. That goal should be reached through the diminishing of informality with incentives to those in the informal economy. These incentives to formality include reduction of income tax, simplification of procedures, access to social security with special fees and credit at preferential rates as well as training to improve business processes. We found that far from increasing the base of taxpayers' natural persons with Business and Professional Activities the same base has decreased by 9.39% since the Fiscal Reform in 2014.

INTRODUCTION

Informal economy is a constant concern for governments, especially in developing countries due to the proven obstacle that represents for economic and social growth, as well as for its linkage to the generation of poverty.

In 2014, as part structural reforms led by the current Federal Mexican Government, a profound change to the tax legislation had been launched in the so-called Fiscal Reform. This reform contains, as a starting point, a taxation scheme whose objective is to increase the taxpayer base.

In this way, RIF was created eliminating two fiscal regimes that until December 2013 had been gathered in the microenterprises of Natural Persons: Small Taxpayers Regime (REPECOS by its initials in Spanish) and the Intermediate System.

Three and a half years after its creation, it is analysed whether the taxpayer base has increased due to the validity of RIF using the data provided by the Mexican tax authority: the Tax Administration Service (SAT by its initials in Spanish).

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10.2 CONCEPTUAL FRAMEWORK

“Informal Economy” has been defined as those activities that generate income without being subject to state regulations. It is argued that “informality” is not characteristic of a precarious, small-scale sector, but instead it is a dimension that can be present in any business. (De la Peña, 1996).

Freije, (2002) quotes Guasch, (1999); Saavedra and Chong, (1999); Loayza, (1997); De Soto (1989) are some authors who argue that bureaucracy, taxes on payroll and other charges, as well as the lack of application of laws are the primary determinants of the growth of informal activities, Other authors such as Heckman and Pagés, (2000); Grüber, (1997); MacIsaac and Rama, (1997) point out that norms and regulations cannot be the only causes for this situation because the empirical evidence is not conclusive, or because despite the widespread deregulation, informality remains high. (Cortazar, 1997).

According to Samaniego (2008), a perspective of the origin of informality that has acquired greater acceptance in recent analyses is the escape or voluntary exclusion of the regulatory framework that regulates formal productive activities. Under this perspective, there are a set of costs to formality and incentives to informality immersed in very diverse actions and public policies which result on a good number of companies and workers to opt for informality in various degrees, as they find incentives to insert themselves in it voluntarily (Perry, Maloney, et al., 2007 cited by (Samaniego, 2008))

Elgin and Uras (2013) hypothesize about the direct correlation between taxes and the size of the informal economy. De la Peña, (1996) points out that the absence of state regulation allows considerable savings in the production and operation of businesses; what sustains that in many occasions the company works in the informality by choice.

Schneider and Enste found that in the early 90’s in most of the countries of Africa, Asia, Central and South America, the informal sector represented more than half of the aggregate Gross Domestic Product, cited by Binelli (2015). He also argues that the expansion of the informal sector is a response to the weakness of institutions and an onerous regulatory environment. Binelli says that a growing literature has shown that countries with institutions that work poorly, labor rigidities, a massive fiscal burden and high levels of corruption tend to have large informal sectors citing Loayza (1996); Johnson et al. (1998); Botero et al. (2004); Vuletin (2009) and lower aggregate well-being (Meghir et al., 2015). Concluding that, the larger the informal sector, the lower the level of economic development.

Lecuona (2009) quotes Tan, López-Acevedo (2007) who argue that much of the new business activity in Mexico begins and develops in the informal sector: each year more than two thousand new Small and Medium size enterprises (SMEs) are created, 90% of which operate in the informal sector.

Alloush, Chartouni, Gatti, & Silva, (2013) cite Perry (2007) who presents evidence that informality in Latin American countries results mostly from the decisions of individuals who rationally opt out of formal markets often inefficient and cumbersome. Other studies conducted in Latin American nations (Paulson and Townsend 2005, Campos 2005, Gunther and Launov 2011) found that some companies choose informality to benefit from their flexibility and potentially more significant gains.

Studies conducted by the Organization for Economic Cooperation and Development (OECD) find that in most countries the small and medium-sized (SMEs) companies account for more than 95% of all. SMEs contribute on a substantial proportion of total employment and also contribute significantly to the growth of the global economy. SMEs also generate a significant part of all taxable income for tax purposes in most economies. (OECD, 2015).

According to the Mexican National Institute of Statistics and Geography in Mexico (INEGI by its initials in Spanish), in 2014 micro companies represented 94.3% of the total businesses, 0.9% medium, 4.7% small and 0.2% large.

The OECD carried out a study on taxes on SMEs, where it states that among the challenges they face to achieve their viability and growth are compliance costs. Although many of the requirements imposed may seem relatively “neutral” for companies of all sizes, the significant fixed costs associated with tax compliance represent a higher cost for SMEs as a percentage of sales and revenues, and therefore they have a higher adverse impact on SMEs than larger companies. (OECD, 2015)

OECD Employment Outlook for 2016 refers that, with the global economy mired in the trap of slow growth, more structural reforms are needed to boost productivity, create jobs and raise living standards. (OECD, 2016) Against this background, many governments provide support to SMEs through tax-free schemes, as well as credit-granting programs, special tax rules that include preferential rates and simplification measures for SMEs, such as the case of Mexico.

Mexico has implemented several structural reforms in the last years: Energy Reform that seeks to guarantee the supply of energy, Reform in Telecommunications and Broadcasting that aims to increase competition

in television, radio, telephony and internet, Financial Reform that seeks to create conditions for that households and companies in Mexico have more credits and cheaper, Labor Reform that points to make the labor market more flexible, Educational Reform whose objective is to increase the quality of education, Political-Electoral Reform that redefines the distribution of public financing of campaigns, among other points, Reform of public information access and transparency about the budget and public spending seeking to increase the powers of Federal Institute of Access to Information and encourages accountability. Moreover, the one this paper cares: Tax Reform that profoundly modified the tax scheme in Mexico, and, among many other changes, generated a novel mechanism to encourage formality: the RIF.

In 2013, tax revenues in Mexico represented only 10% of the Gross Domestic Product (GDP), well below the average of the OECD member countries that are between 19% and 25% about their GDP. Therefore, in 2014, within the framework of the Fiscal Reform, and with the objective of reducing the number of informal enterprises, the RIF came into force. RIF is a preferential tax regime whose primary aim is to increase the taxpayer base, seeking to incorporate into the formality of those businesses that were working in informality.

Through RIF, it is sought that the individuals who operate a company entered a scheme that allows them to comply with their tax obligations easily, as well as obtain credit benefits, access to cheaper social security for themselves and their workers, and among others benefits as the reduction of the amount of the taxes depending on the year of contribution.

In Mexico, there is chapter in legislation for business individuals (one single person) called “Business and Professional Activity”, before 2014, this regime was formed by three sections:

- I. “General Regime”: those individuals with business and professional activities with higher income taxed and they did not have preferential tax treatment.
- II. “Intermediate System”: those natural persons with business activities with annual income of up to 4 million pesos and who had some preferential tax treatments were taxed
- III. “Small Taxpayers Regime”: (REPECOS for its initials in Spanish) those individuals with business activities with the annual income of up to 2 million pesos. REPECOS had a simplified tax treatment since the payment of Income Tax (ISR by its initials in Spanish) and VAT (Tax on consumption) was made bimonthly through a fixed pre-established quota according to the self-declared income amount.

Within the framework of the Fiscal Reform, in 2014, the Regime “Business and Professional Activity” undergoes a great modification: section I remains (General Regime) but sections II (Intermediate System) and III (REPECOS) disappear to give rise to a new section II. This grouped section includes all REPECOS and those people who were taxed in the “General Regime” and in the “Intermediate System” if they fulfilled the requirements to be taxed in the new regime: RIF.

TABLE 10.1
Composition of the Business and Professional Activity chapter before and after the 2014 Tax Reform.

| Until December 2013 | “Business and Professional Activity chapter” Since January 2014 |
|---------------------------------------|--|
| I. General Regime | I. General Regime |
| II. Intermediate system | II Tax Incorporation Regime (RIF) |
| III. Small Taxpayers Regime (REPECOS) | |

Source: Prepared by the authors based on the current Mexican ISR Law on the dates indicated

The RIF was created as a transitional regime that grants special treatment to taxpayers who opt for it and conditions its gradual benefits to permanent compliance since it is sanctioned with the output with the loss of the benefits that offers if the presentation of the statements is omitted.

Although the objective of this regime is to incorporate into formality those businesses that had been operating in the informal economy, it was allowed to tax in it the natural persons who were already incorporated into the formality and enjoy the benefits of the regime: namely section I General Regime and extinct sections II Intermediate System since REPECOS were added automatically to RIF. So, RIF was expected more taxpayer than the one who were before 2014.

RIF has the following characteristics: only to natural persons, the annual income should not exceed two million pesos, it is a temporary regime whose maximum duration is ten years, after which it is intended that the taxpayer be incorporated into the General Regime of law that does not include any reduction in the tax caused. There is a discount scheme for Income Tax caused according to the year in which the taxpayer is being taxed, according to the reductions according to the tax year shown in table 10.2.

As shown in Table 10.2, the discounts decrease each year of taxation until, at the end of the maximum number of years that the duration of the RIF is expected, the taxpayer pays the entire income tax. It should be noted that even the second year of the RIF, in 2015, the federal government

granted the discount of 100%, instead of 90%, in lieu of reducing the benefits as planned, they were extended.

TABLE 10.2.
Income Tax (ISR) percentages reduction to RIF's taxpayers according to the year of taxation.

| | | | | | | | | | |
|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 100% | 90% | 80% | 70% | 60% | 50% | 40% | 30% | 20% | 10% |

Source: Mexican Income Tax Law in effect as of 2014

Regardless of the tax reduction table, those who have incomes for less than 300 thousand pesos will not cause VAT or IEPS (tax on specific products and services such as alcohol, tobacco and betting games among others). This incentive is just when the whole of its operations are with people who will not deduct the expenses incurred from their taxes; otherwise, they have to pay VAT and IEPS. This incentive for RIF with lower contributory capacity is in force for the fourth consecutive year since it is not placed in the original law. There is also a simplified treatment for the calculation of indirect taxes: VAT and IEPS.

Because another important aspect that drives SMEs, that becomes an obstacle to their growth, is their limited access to credit, within the strategy of fighting informality who adhere to the RIF would have, in addition to a tax regime preferred and simplified, access to financing for their company.

De la Peña (1996) points out that in Mexico -as in other Latin American countries- a majority of ostensibly formal businesses include informal aspects: non-registered subcontracting, registration of permanent workers as eventual, lack of compliance with social security and health requirements, partial or total absence of unionization, etc. Under this reality, to favor the formality of the workers employed by the companies affiliated to the RIF, benefits are granted that promote the registration of both the workers who provide their services to the RIF and the same individual, owner of the negotiation that is paid in the RIF to social security. A subsidy granted by the federal government as a percentage of the social security contribution that depending on the year of registration to the RIF is allowed according to the data shown in Table 10.3.

The discount table for social security contributions (table 10.3) is consistent in duration with the term of the RIF, ten years. After which it is intended that the taxpayers of the RIF have reached the maturity to pay without subsidies.

TABLE 10.3.
Percentage of reduction of Social Security Contributions by
employers belonging to the RIF according to the year of taxation.

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 50% | 50% | 40% | 40% | 30% | 30% | 20% | 20% | 10% | 10% |

Source: "Decree granting incentives to promote incorporation into social security"

The benefit of the subsidy to social security contributions will apply to both the RIF's workers and the employer, with the objective that the same taxpayer who is taxed in RIF has access to social security granted by the central institution in Mexico: Mexican Institute of Social Security (IMSS by its initials in Spanish)

Through the granting of credits and facilities for access to social security, as well as the training to improve business processes, tax reduction and simplification of fiscal obligations, it seeks to generate a perception of better conditions for formal taxpayers.

10.3 SAMPLE AND METHODOLOGY

We will study the companies registered in RIF since its creation in January 1, 2014, until April 30, 2017. We'll compare the number of people registered after and before the Fiscal Reform in order to find out if RIF has reached its goal of increasing the number of taxpayers.

The data of the companies registered in the Business and Professional Activity chapter is located in section I of chapter II of title IV of the Income Tax (ISR) Mexican Law, is used to assess the real increase in the taxpayer base.

In the present work, the information published by SAT is used, which is the decentralized body of the Ministry of Finance and Public Credit in charge of the application of tax and customs legislation, a publication made through the official portal of Internet. In that place the taxpayer registry is shown by the different tax regimes per month from January 2010 until April 2017: http://www.sat.gob.mx/cifras_sat/Paginas/datos/vinculo.html?page=giipPorRegimen.html

The information collected through the open data from SAT is compared with the analysis made by the Center for Public Finance Studies on the Fiscal Incorporation Regime published in May 2015. (CEFP by its initials in Spanish) who published in May 2015 a document that evaluates RIF 15 months after the beginning of its validity. (Confront CEFP, (2015)). It states that the taxpayer base grew by 470 thousand 185

and compares the number of taxpayers who were registered in the tax register as “REPECOS” against the number of taxpayers registered in RIF as of May 2015 concluding that the figure was increased in 23.7% in real terms. We don’t agree with that number because it was not obtained from comparable bases.

We have to remark that we used the official data published by SAT, as CEFP did, and on which is assessed the efficiency of RIF to increase the number of taxpayers, because over the same data we found different throughput. When performing a more detailed analysis of the information, we find the following results:

10.4 RESULTS

The individual data of the number of RIF taxpayers shows growth, which gives the idea of positive results regarding the expansion of the taxpayer base through its registration to this regime. (Table 10.4)

TABLE 10.4.
Behavior of the RIF’s taxpayer registry since it begins

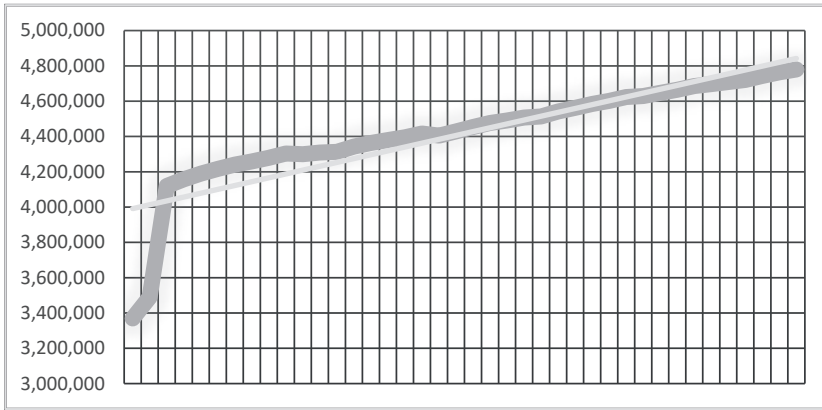
| Year | Month | RIF taxpayers |
|------|-----------|---------------|
| 2014 | January | 3,369,010 |
| 2014 | February | 3,489,509 |
| 2014 | March | 4,119,620 |
| 2014 | April | 4,157,175 |
| 2014 | May | 4,189,701 |
| 2014 | June | 4,215,896 |
| 2014 | July | 4,240,735 |
| 2014 | August | 4,258,983 |
| 2014 | September | 4,279,292 |
| 2014 | October | 4,303,431 |
| 2014 | November | 4,299,849 |
| 2014 | December | 4,309,106 |
| 2015 | January | 4,313,144 |
| 2015 | February | 4,342,897 |
| 2015 | March | 4,363,347 |

| | | |
|------|-----------|-----------|
| 2015 | April | 4,379,398 |
| 2015 | May | 4,395,212 |
| 2015 | June | 4,416,950 |
| 2015 | July | 4,404,646 |
| 2015 | August | 4,428,659 |
| 2015 | September | 4,453,541 |
| 2015 | October | 4,476,102 |
| 2015 | November | 4,490,781 |
| 2015 | December | 4,507,015 |
| 2016 | January | 4,513,785 |
| 2016 | February | 4,541,396 |
| 2016 | March | 4,562,123 |
| 2016 | April | 4,583,862 |
| 2016 | May | 4,601,233 |
| 2016 | June | 4,623,322 |
| 2016 | July | 4,628,951 |
| 2016 | August | 4,647,108 |
| 2016 | September | 4,664,620 |
| 2016 | October | 4,685,347 |
| 2016 | November | 4,696,518 |
| 2016 | December | 4,708,228 |
| 2017 | January | 4,719,902 |
| 2017 | February | 4,742,686 |
| 2017 | March | 4,763,491 |
| 2017 | April | 4,779,585 |

Source: Own elaboration based on the data published by SAT (2017)

The increase in the number of taxpayers registered in the RIF since its validity (January 2014) and until May 2016 is presented in Graph 1 where a constant monthly increase is observed, 29 months after its effective date with a positive trend (yellow line in Graph 1), so far good performance, but if we go on not so good.

GRAPH 10.1.
Behavior of the RIF's taxpayer registry since it begins



Source: Own elaboration based on the data published by SAT (2017)

The first issue we found is that at the beginning RIF decreases the taxpayer number. Thus, REPECO automatically turned into RIF we can observe that 13.3% of people had rather present a notice of suspension of activities. (*Table 10.5*)

TABLE 10.5.
Taxpayers on dates indicated

| Year | Month | REPECO | RIF |
|------|----------|-----------|-----------|
| 2013 | December | 3,886,294 | n.d |
| 2014 | January | n.d. | 3,369,010 |

Source: Own elaboration based on the data published by SAT (2017)

Although at the beginning of RIF, the incorporation of the same number of taxpayers who had been taxed as REPECOS was not achieved (*Table 10.5*), but at the end of 2014, the number of taxpayers incorporated into the RIF was 4,309,106. This represented an 11% higher than the number of companies registered as REPECOS at the time of the end of the regime, which could indicate an effective incorporation of businesses that were formerly in the informal sector. That is the method used by the study carried out by CEFP that marks that RIF has increased the number of taxpayers. However, this method presents a vice; they are comparing

unequal bases since RIF not only incorporated REPECOS but also people who had been taxed in the even extinct Intermediate System and General Regime, remember they could get into RIF if meet requirements. Therefore, the increase in the number of companies registered at the end of 2014 may be due to the incorporation into RIF of people who had already been working on the formality in the scheme of the Intermediate System or General Regime, not the integration into the base of taxpayers of companies that had been working in the informal sector.

To make an analysis that yields the actual number of taxpayers in which the RIF has managed to increase the taxpayer base we have to take comparable data. The study must be based on the fact that the RIF is integrated by the extinct regime of REPECOS, but also Intermediate System and General Regime were allowed to be part of RIF, so we must not compare RIF against REPECOS because both data are not comparable, that's why CEFP study reported RIF's success.

In order to have comparable data and evaluate if RIF has indeed reached its goal increasing the number of taxpayers we have to compare the sum of the taxpayers of the three sections that formed the Regime of Business and Professional Activities chapter until 2013 against the amount of taxpayers of the two sections that form the same chapter since 2014. That way we will be able to compare both data and determine if, in reality, the RIF has managed to increase the taxpayer base. The sum is shown on Table 10.6.

TABLE 10.6.

Sum of the taxpayers' register of "Business and Professional Activity chapter" including its three sections from 2010 to 2013 and its two sections from 2014 to 2017

| Year | Month | Sum of taxpayers: General Regime, Intermediate system and REPECOS | Sum of taxpayers: General Regime and RIF |
|------|----------|---|--|
| 2010 | January | 8,259,045 | n.d. |
| 2010 | February | 8,272,540 | n.d. |

| | | | |
|------|-----------|-----------|------|
| 2010 | March | 8,303,241 | n.d. |
| 2010 | April | 8,308,385 | n.d. |
| 2010 | May | 8,319,175 | n.d. |
| 2010 | June | 8,337,810 | n.d. |
| 2010 | July | 8,356,215 | n.d. |
| 2010 | August | 8,369,601 | n.d. |
| 2010 | September | 8,388,556 | n.d. |
| 2010 | October | 8,400,612 | n.d. |
| 2010 | November | 8,429,242 | n.d. |
| 2010 | December | 8,453,131 | n.d. |
| 2011 | January | 8,439,561 | n.d. |
| 2011 | February | 8,460,304 | n.d. |
| 2011 | March | 8,474,352 | n.d. |
| 2011 | April | 8,475,085 | n.d. |
| 2011 | May | 8,483,517 | n.d. |
| 2011 | June | 8,499,463 | n.d. |
| 2011 | July | 8,536,328 | n.d. |
| 2011 | August | 8,577,917 | n.d. |
| 2011 | September | 8,623,216 | n.d. |
| 2011 | October | 8,642,639 | n.d. |
| 2011 | November | 8,660,631 | n.d. |
| 2011 | December | 8,668,882 | n.d. |
| 2012 | January | 8,657,660 | n.d. |
| 2012 | February | 8,669,317 | n.d. |
| 2012 | March | 8,689,218 | n.d. |
| 2012 | April | 8,698,344 | n.d. |
| 2012 | May | 8,714,535 | n.d. |
| 2012 | June | 8,729,320 | n.d. |
| 2012 | July | 8,739,955 | n.d. |
| 2012 | August | 8,755,731 | n.d. |
| 2012 | September | 8,772,075 | n.d. |
| 2012 | October | 8,791,430 | n.d. |
| 2012 | November | 8,800,748 | n.d. |
| 2012 | December | 8,806,955 | n.d. |
| 2013 | January | 8,800,025 | n.d. |
| 2013 | February | 8,817,848 | n.d. |
| 2013 | March | 8,835,196 | n.d. |
| 2013 | April | 8,844,853 | n.d. |
| 2013 | May | 8,851,135 | n.d. |

| | | | |
|------|-----------|-----------|-----------|
| 2013 | June | 8,862,742 | n.d. |
| 2013 | July | 8,877,186 | n.d. |
| 2013 | August | 8,894,507 | n.d. |
| 2013 | September | 8,889,737 | n.d. |
| 2013 | October | 8,915,225 | n.d. |
| 2013 | November | 8,929,225 | n.d. |
| 2013 | December | 8,947,838 | n.d. |
| 2014 | January | n.d. | 8,007,324 |
| 2014 | February | n.d. | 8,005,113 |
| 2014 | March | n.d. | 8,014,358 |
| 2014 | April | n.d. | 8,026,241 |
| 2014 | May | n.d. | 8,049,606 |
| 2014 | June | n.d. | 8,069,628 |
| 2014 | July | n.d. | 8,089,372 |
| 2014 | August | n.d. | 8,107,820 |
| 2014 | September | n.d. | 8,129,023 |
| 2014 | October | n.d. | 8,162,618 |
| 2014 | November | n.d. | 8,154,085 |
| 2014 | December | n.d. | 8,159,304 |
| 2015 | January | n.d. | 8,144,406 |
| 2015 | February | n.d. | 8,180,201 |
| 2015 | March | n.d. | 8,204,026 |
| 2015 | April | n.d. | 8,214,470 |
| 2015 | May | n.d. | 8,229,619 |
| 2015 | June | n.d. | 8,254,024 |
| 2015 | July | n.d. | 8,219,536 |
| 2015 | August | n.d. | 8,246,601 |
| 2015 | September | n.d. | 8,275,110 |
| 2015 | October | n.d. | 8,301,862 |
| 2015 | November | n.d. | 8,321,324 |
| 2015 | December | n.d. | 8,336,073 |
| 2016 | January | n.d. | 8,321,288 |
| 2016 | February | n.d. | 8,050,011 |
| 2016 | March | n.d. | 7,838,471 |
| 2016 | April | n.d. | 7,858,621 |
| 2016 | May | n.d. | 7,852,227 |
| 2016 | June | n.d. | 7,882,680 |
| 2016 | July | n.d. | 7,893,549 |
| 2016 | August | n.d. | 7,918,107 |

| | | | |
|--|-----------|------|-----------|
| 2016 | September | n.d. | 7,943,818 |
| 2016 | October | n.d. | 7,972,579 |
| 2016 | November | n.d. | 7,990,952 |
| 2016 | December | n.d. | 8,009,281 |
| 2017 | January | n.d. | 8,023,603 |
| 2017 | February | n.d. | 8,057,934 |
| 2017 | March | n.d. | 8,091,812 |
| 2017 | April | n.d. | 8,107,518 |
| <i>n.d. No data because was not existing</i> | | | |

Source: Own elaboration based on the data published by SAT (2017)

We present in Table 10.6 the number of taxpayers registered in the “Business and Professional Activity chapter”, all of its sections: General Regime, Intermediate System and REPECOS before 2014 versus General Regime and RIF after 2014, each month since January 2010 from April 2017. This data is entirely comparable since it gathers all the sections before and after the Fiscal Reform and not only REPECOS versus RIF.

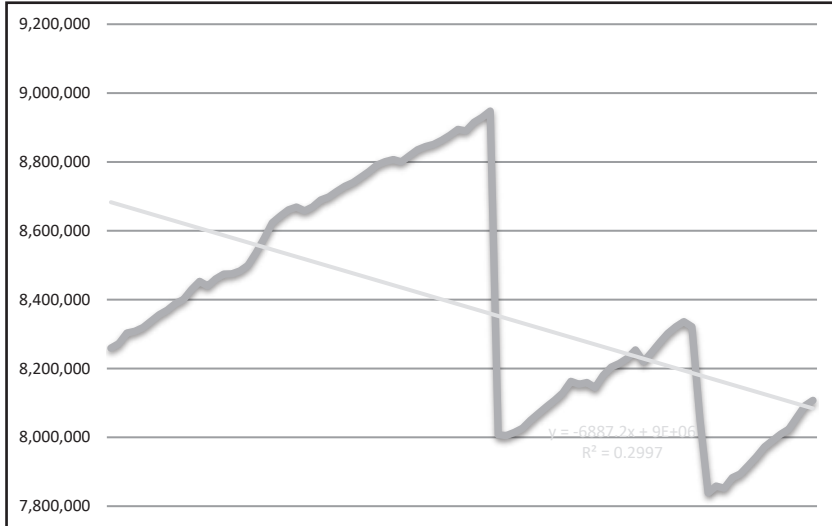
The result obtained and shown in table 10.6 reveals that there was a decrease in the number of taxpayers registered of 9.39% between December 2013 and April 2017, going from 8,947,838 to 8,107,518 taxpayers.

As shown in Graph 2, the level of taxpayers natural persons registered in the Business and Professional Activity Chapter in all its sections has suffered a notable decrease since the Fiscal Reform of 2014 when RIF was created. Since RIF -the regime designed to decrease informality and grow the number of taxpayers- was created, an abrupt fall in taxpayers’ number can be seen. (January 2014, Graph 2) The trend line in Graph 2 is negative. Therefore, far from increasing the taxpayer base it has been reduced.

Even the number of taxpayers in April 2017 has not managed to reach the number of taxpayers registered in the same month seven years ago, since as of April 2017 8,107,518 were recorded, while in April 2010 the number of the taxpayer was 8,308,385.

Concluding that to 40 months of its validity the RIF has not reached its aim: it has not increased the taxpayer base.

GRAPH 10.2.
Behavior of the list of natural persons Regime Business and Professional Activity chapter in all its sections from January 2010 to April 2017



Source: Own elaboration based on the data published by SAT (2017)

10.5 DISCUSSION, CONCLUSION AND IMPLICATIONS

Despite the multiple benefits offered by RIF, the objective of expanding the taxpayer base has not been obtained. According to the data analyzed, the number of companies registered in the business and professional activity regime decreased 9.39 %. It was to be expected that the voluntary incorporation into the RIF of those businesses that operated in the informal economy would have taken place in the first years of the regime's validity in order to take advantage of the Income Tax discount that it contemplates.

It is concluded that far from increasing the base of taxpayers' natural persons with Business and Professional Activities the same base has decreased by 9.39% since the Fiscal Reform in 2014.

On April 2017, the number of taxpayers registered as "Business and Professional Activity chapter" in all its sections (General Regime, Intermediate System and REPECOS until 2013 and General Regime and RIF as of 2014) has not been able to reach the number of registered taxpayers in the same month seven years ago, on April 2010 that number was 8,308,385.

RIF has not generated an increase in the taxpayer base in 40 months of its validity. Therefore, this document supports the idea of Heckman and Pagés, 2000; Grüber, 1997; MacIsaac and Rama, 1997, who point out that fiscal norms and regulations cannot be the only causes for informality because, despite the deregulation and fiscal incentives, the taxpayer base has not been increased. And other authors who claim that a good number of companies and workers to opt for informality in varying degrees, since they find incentives to insert themselves in it voluntarily (Perry, Maloney, et al., 2007 cited by (Samaniego, 2008))

The incentives designed for RIF seek to support its growth and profitability; however, its introduction, as indicated by the OECD (2016), can have a distorted impact by encouraging companies to remain small or to break into different businesses to continue having benefits from the preferential tax treatment, in spite of the restrictions that the same RIF contemplates to avoid its use to the detriment of the treasury.

RIF is committed to the voluntary incorporation of taxpayers to and decrease the informal economy, however, if a campaign is not carried out by the tax authorities to incorporate the informal taxpayers in a forced manner instead of voluntary, the number of companies that work in the informal economy in Mexico will not decrease as we can see in the data analyzed in this research.

The evaluation of the results of RIF to reduce informality in Mexico by reviewing the effectiveness and degree of permanence of taxpayers enrolled in the scheme, will be more significant until the year 2019, when the incentive of tax reduction will be lower than on the dates analyzed.

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