



Tax Administration Office (SAT)
México

Incorporation of Informal Sector Enterprises into Formal Economy

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Definition

- ✓ **Economic:**
Low scale economic activities. Low use of capital.
- ✓ **Legal:**
Illegal activities. Compliance partially or absence of compliance with State Laws.

Informality actors

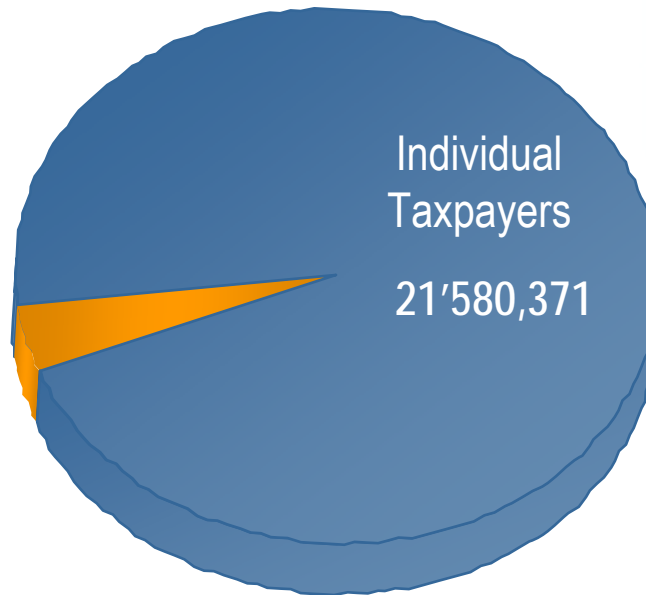
- ✓ Business dedicated to production, distribution and sales of Consumer Goods and Services.
- ✓ Taxpayers employed by formally established business.
- ✓ Fixed or mobile street stalls owners.



Taxpayer universe

22,323,140

Business
taxpayers
742,769



Individual
Taxpayers

21'580,371



Characteristics / causes

- ✓ Low educational level. Caress of qualified manpower.
- ✓ Low salaries and unemployment.
- ✓ Unavailable credits with low interest rates for production sector.
- ✓ Too many requirements to get incorporated to formality and high complexity for compliance.
- ✓ Lack of infrastructure to control over this sector / Low risk awareness.



- ✓ Tax liabilities simplification.
- ✓ Faculties delegation to the States of the Federation.
- ✓ Taxpayer register purge programs.



Implementation

- ✓ Tributary law system modifications.

Tax regime with better conditions for taxpayers with small and medium-level income rate.

- Small Taxpayer Regime.
- Intermediate Regime of Enterprise Activity.
- General Regime of Enterprise Activity for individual Taxpayers.



Implementation

- ✓ Authority to the Federal States in order to manage Small Taxpayers.
 - Incentive: 100% of the collection of small Taxpayers is for the States.

Goals:

- ✓ To make compliance easier.
- ✓ To grant the privilege to simplify in order to promote the incorporation of non-taxpayers.



Strategies in order to promote regularization Programs for the elimination of taxpayers' registries

Updating and Registration Program (PAR)

- ✓ SAT's strategic program. Incorporation and data updating in a voluntary way.
- ✓ Service scope. Implemented in coordination with States governments.
- ✓ Census technique. Starting from the taxpayers' geo-referencing and the printout of the pre-filling documents.
- ✓ State and federal taxpayers' registry are updated.
- ✓ Detailed monitoring for taxpayer's level.



Strategies in order to promote regularization Programs for the elimination of taxpayers' registry

Updating and Registration Program (PAR)

Results:

- ✓ Increase of 48% on the short-term of the small taxpayers' collection.
- ✓ Increment of 152% on taxpayers base.
- ✓ More fiscal presence on States.
- ✓ Simplification of the compliance process.
- ✓ Better taxpayers' registry for control process.



✓ Cash deposit tax Fiscal Reform 2008

Tax deposits in cash greater than 2,250 USD monthly (25 thousand pesos), in the financial system institutions.

- ✓ Withholding of the Income Tax to individuals who acquired products from business.

Abolished: It caused distortion to the fiscal outline, taxpayers with administrative capacity reduced their tax when creating small taxpayers.



Initiatives for compliance

- ✓ SAT's Integral Solution
 - Identification of the taxpayer and fiscal regime.
 - Segmentation in order to have a better control and service.
 - Preventive and persuasive campaigns.

- ✓ Proposal of social security regime applicable to self-employees (Businessmen and workers).



Programs and initiatives in order to encourage the compliance Initiatives

- ✓ Small and Medium Enterprises (SMEs) Website
Electronic scheme in order to register and have control of the income, outcome, determination and paying of taxes, of individuals and business, with income up to 4 million pesos.
- ✓ Prevention and complement to new taxpayers
Basic training at the beginning of their activities and support to the taxpayers during six months in order to verify their self-sufficiency on the fulfillment of their fiscal obligations.



- ✓ Simplify, simplify, simplify ...
- ✓ To be prepared for the future: To educate and “to accompany taxpayers”.
- ✓ To give an incentive to compliance.
- ✓ To create effective information and communication programs.
- ✓ To coordinate integral programs to small business, without different treatments and biased objectives.





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Thanks for your participation

