

Research Design for evaluating the impact in SMEs related to the Technological Means Imposed by the Mexican Tax Authorities

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ABSTRACT

The Purpose of this paper is to DESIGN a research (WHAT) , for identifying the impact (WHY), on SMEs due to the Tax provisions established by Mexican Tax Authorities, related to electronic invoicing and electronic accounting that could generate a change in SMEs administration culture, since they had to learn how to handle the official programs established by the Mexican Authorities, and through a research based on a documental analysis of official data, (HOW) we can see, that the level of electronic invoicing has been increasing since 2011 to 2014 in an 799% what means that SMEs owners have been improving their knowledge on Tics handling, complying with the authorities requirements and enhancing the SMEs performance.

Key Words: Research, Design, SMEs, Use of Tics, Development

1. Introduction

It has been a global concern the development and permanence of the SMEs in the market given its high contribution in the basic economic indicators, such is the case that in Mexico there is a contribution in the GDP 42%, in the number of jobs 61% and In the number of establishments in operation 99% nationwide, the financial strategies proposed are such that the investments made by the Shareholders themselves, the mergers carried out with companies in the same branch, the acquisition of new and high-tech machinery and equipment and the standardized production, allow SMEs to become more profitable and frank development companies avoiding premature mortality.

Design is always intentional and action-oriented. The essence of design is to generate action in some direction and/or for some creation/production, described by Callaos & Callaos, (2008, pág.8); in this case the research design is oriented to a qualitative style, analyzing the data base in a deep way for identifying the reaction of Small business owners on the Fiscal Authorities requirements, detecting the impact in SMEs due to the Tax provisions imposed by the Mexican Tax Authorities and the research design consist in the compilation of fiscal official information and the identification of the behavior of small business owners on the invoicing and accounting electronic elaboration, changing the manual process to electronic process, and the statistical official data could confirm this situation.

Following in Table No.1, we can find the SMEs classification, according with the Official Journal publication, based on the number of workers, and level of sales, with the purpose to identify the size of the SMEs in the market.

Table 1. SMEs Classification.

ESTRATIFICATION				
Size	Sector	Rank of Number of Workers	Range of Annual Sales Amount	Maximum Combined Limit
Micro	All	Till 10	Till \$ 4 M.	\$4.6M
Small	Commerce	Since 11 To 30	Since \$4.01 Till \$100 M	93
	Industry & Services	Since 31 To 50	Since \$100.01 Till \$250 M	95
Medium	Commerce	Since 31 To 100	Since \$100.01 Till \$250 M	235
	Service	Since 51 To 100		
	Industry	Since 51 to 250		250

Source: Federation Official Journal December 28 de 2013

2. Objective

Identify what is the impact on SMEs because of the Provisions of the Tax Authorities in matters of electronic invoicing and Electronic Accounting by decree, through a research design which can be applied in this case.

2.1 Problem statement.

The high level of informality operation in most of SMEs, affects the economy of the developing Countries, since this enterprise doesn't pay taxes neither pay Social Secure for employees and that makes a high level of insecurity in the employees and for the proper SME proprietary, since they are exposed to be closed by the authorities.

In the follows table we can see the number of tax payers, which is a significant indicator of a healthy economy in any country, since this represents the level of formal economy that exists in the Country avoiding the tax evasion.

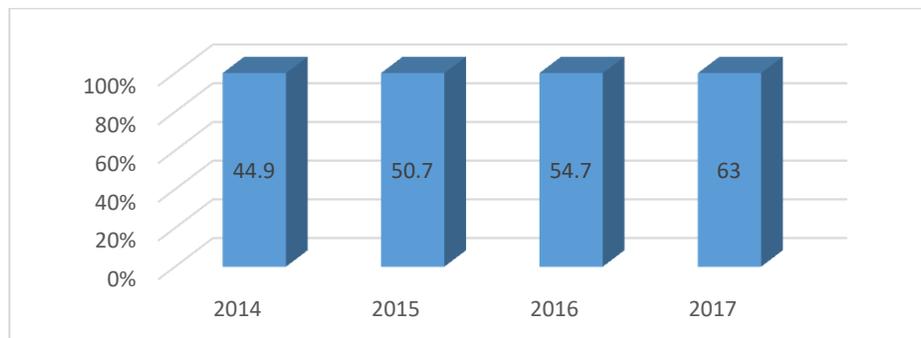
As we can see in the previous table the number of contributors has increased from 54.7 million to 63 million of contributors, from 2016 to 2017, but it doesn't mean a very significant number since the total number of enterprises and persons active in Mexico, are around 93.0 million that means that only the 58.8 % are active and legal contributors, making a very significant opportunity to increase the number of legal contributors and to make a better level of tax collection.

2. Theoretical framework.

Smatrakalev, (2007 p.1), state that Taxation of small and medium-sized enterprises (SMEs) is an important issue in the globalized economy. SMEs are also looking for expansion and unions in the US and the EU have real problems to find the right way to tax multi-state activities on one hand and ease the burden on another. The dimensions are

different and the problems are different all over the world. This document is based on the Bulgarian experience in SMEs and some of the new changes in the European market due to the expansion of the European Union. The work emphasizes the possibilities for the presumptive type of taxes and the taxes of the State of origin, which are the most recent developments in obtaining these companies in the tax network. The document examines the different types of taxes and the influence on SMEs and illustrates some of the ways of generating income and economic agents in the market.

Table 2. Active Contributors



Source: Tax and Management Report 2017 (SAT).

Braun & Gadano (2007, p53-65), in their article, presents a critical view of the utility of applying fiscal responsibility laws in low institutional settings. Analyze the Argentine case, where the prodigal use of fiscal rules - two different laws in just five years - contrasts with its limited effectiveness to ensure the sustainability of fiscal policy and improve transparency, and verifies that in situations of institutional weakness, it is difficult that a fiscal responsibility law limits the decisions of the governors to the point of correcting the behavior of public finances. The Argentine case, then appears as a wake-up call for those who promote the implementation of fiscal rules. When there is a low fiscal reputation and weak institutions, the rules can not only be ineffective in tax matters, but their failure to comply can further damage the fragile institutional context that hinders their effectiveness.

Angulo L., (2011) refers that it ‘questioned, what are the fiscal strategies that Sinaloa companies have implemented to reduce their tax burden? Before this question, the external manager 1 (first interviewed), expressed the following: I believe that the companies from Sinaloa are traditionalists, many times the businessman from Sinaloa is afraid of implementing fiscal strategies, however there are some businesses here in our Sinaloa environment that are already implementing them, what are the strategies? Well, I think that the strategies rather is to avoid seeking legal means to avoid excessive tax payments, that is, does not mean that the tax strategy or the reduction of the tax burden is basically tax evasion, but that any employer, any business has the right to seek the form of reduce your tax burden legally by applying the benefits, exemptions and incentives that are in the tax laws, do not have to be afraid, however here in Sinaloa I feel that it is more necessary for employers to apply fiscal strategies is a virgin field where the professional of this area has to make a forced entry to recommend Sinaloa companies the growth, that pay the normal taxes according to the law and without falling into the evasion. In accordance with the foregoing, it is important to specify that the businessman

from Sinaloa is conservative in tax matters, does not risk anything because of the fear that the tax authority will initiate its verification powers, that is, will apply an audit. The external manager 1 points out that any employer has the right and the freedom to find a way to reduce their tax burden legally by applying the benefits, exemptions and incentives that are in the law. In this regard Moran, (2008), coincides with the external manager 1 to point out that when implementing a fiscal strategy there are explicit and implicit fiscal benefits, as regards the explicit ones are those that are established in any of the fiscal laws, while the implicit ones refer to the interpretation of the laws. It is difficult to identify the implicit benefits, since only with the experience of the person who implements a fiscal strategy, as well as the knowledge of the fiscal dispositions in force in its application.

Moran, (2008), specifies, within the tax provisions, the taxpayer will locate the explicit tax benefits that the fiscal provisions themselves indicate, such as the reduction of provisional payments. In this regard, the Income Tax Law (LISR) applicable to individuals who are taxed under the general law, based on Article 15 Section II of the aforementioned law establishes the following:

"Taxpayers who consider that the profit coefficient they must apply to determine the provisional payments is higher than the profit coefficient of the year to which said payments correspond, may, from the second semester of the fiscal year, request authorization to reduce the amount of the correspond to them. When, on the occasion of the authorization to reduce the provisional payments, they have been covered in an amount lower than that which would have corresponded to them in the terms of article 14 of this Law, having taken the data relative to the utility coefficient of the tax return. Exercise in which the payment was reduced, surcharges will be covered for the difference between the authorized provisional payments and those that would have corresponded to them"

From the foregoing, it is clear that this tax benefit is explicit within the aforementioned text, by pointing to the word "option", so that the taxpayer will value this "opportunity" that the legislator provides.

Astudillo & Mancilla, (2011, p14-22). Comments about the behavior in the fiscal area of multinational companies that has been regulated by the States through the determination of transfer prices. In the case of the legal framework in Mexico, fiscal and financial regulations have been established during the last years, mainly after the incorporation of Mexico to the Organization for Economic Cooperation and Development (OECD). The objective of his work was to show how the OECD international guidelines have influenced Mexican legislation, particularly in the Income Tax Law, establishing a special treatment of the tax regime and transfer prices, together with the analysis of the use of databases when the taxpayer is placed in fact generator. This tax issue is very important in Mexico, since it affects the treasury of the federal treasury.

López, (2013). in his manual comments that this is not an invitation to stop paying taxes, but the portrait of some methods that allow Mexico to avoid this responsibility. With regard to the controversial tax reform presented in recent days, Saúl López Noriega analyzes the set and structural failures that allow and encourage tax evasion, from a tour of companies, characters, mechanisms and incentives. Accompanied this manual of current bad practices with an examination of the tax reform in which Gerardo Esquivel detects fundamental progress but not a profound transformation of the tax regime.

Gómez, (2016, p21-26), says that the head of the Ministry of Finance and Public Credit (SHCP), in Mexico, Luis Videgaray, announced that the federal government, in coordination with the country's bankers, will launch two innovations for the financial sector with the objective of continuing to detonate credit in Mexico, and indicate that "When the government and the development bank sit down to work with bankers, good things happen, good ideas arise, commitments are established and results are achieved. In the coming months concrete proposals will be observed ", and said when closing the works of the 79th Banking Convention, Videgaray explained that the first innovation is to open the possibility of refinancing the Infonavit mortgage portfolio so that through the participation of The bank will reduce the cost paid by its mortgage accredited workers of the institute.

And on the second innovation, he explained, which is aimed at small and medium enterprises (SMEs) in the country: emphasizing that now they can access a loan just for the fact of fulfilling their tax obligations.

On which comments that "They are going to use the database of the Tax Administration Service (SAT) so that those SMEs that do not have a credit history, but that comply with their fiscal obligations, can, as of their fiscal compliance, be subject to a loan with the support of National Financial (Nafin) ".

3.1 Research Design.

Callaos & Callaos (2008, p.1), refers to Herbert Simon, a Nobel Laureate, ho affirms in (The Sciences of the Artificial (Third Edition), 1996) that "Engineers are not the only professional designers. Everyone designs who devises courses of action aimed at changing existing situations into preferred ones...Schools of engineering, as well as schools of architecture, business, education, law, and medicine, are all centrally concerned with the process of design." (p. 111).

Any design activities require an initial *objective*, a '*telos*.' This objective is not necessarily a static one, on the contrary, it is usually a very dynamic one, depending on the changes that might happen during the designing process. Designers and users learn during designing processes and this learning process might change the initial objective. Likewise, researchers learn from their research activities which trigger in their mind new hypothesis which requires new or modified (experimental and/or mental) designs; which, in turn, requires verification and validation actions, which, in turn again, require their implicit or explicit design, and so on, Callaos & Callaos (p.5)

Alzas (2012,p.1), comments, in general terms, refers authors such Hernández, Fernández & Baptista (2010) ho have highlighted five typologies of qualitative methodologies, although it is necessary to clarify that the different approaches have theoretical propositions that in some cases are juxtaposed. These are: grounded theory, ethnographic designs, narrative designs, action research designs and phenomenological designs.

General Designs of Qualitative Research:

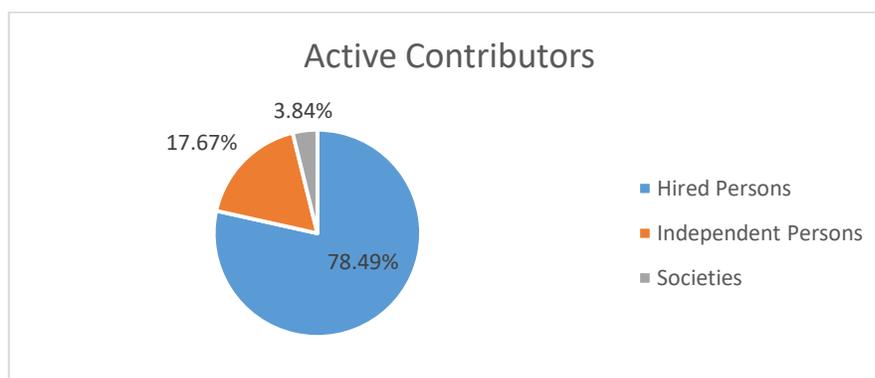
- 1.- Grounded Theory
- 2.- Ethnographic Designs
- 3.- Narrative Designs.
- 4.- Research-Action Designs.
- 5.- Phenomenological Designs

In our research it was selected the design of Grounded Theory since all the information analyzed is based on official database of Mexican Tax System (Sistema Tributario Mexicano), so that all the data used in this research is Grounded and published in the official page of SAT (Mexican Tax System).

3. Fiscal analysis of SMEs situation in Mexico.

The distribution of contributors is a significant information for to identify which are the kind of contributor that most contribute with taxes, following, we can find the distribution in Mexico in which the highest number of contributors are the persons hired by an enterprise, which represents the 78.5% of the total contributors as we can see in the following graph.

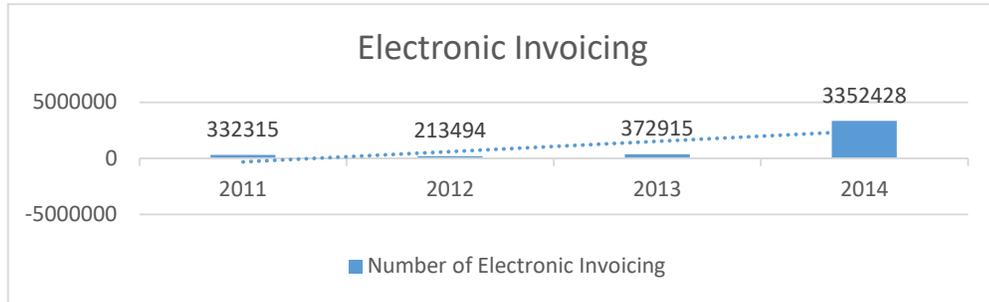
Graphic 1. Universe of Contributors in Mexico (2013)



Source: SAT (Tax System Administrator).

One of the most important electronic requirement from the Tax Authorities in Mexico, is the electronic invoice, which operate in the electronic database of SAT, so for, the fiscal Authorities identify each invoice generated by the contributors and the process is quite difficult, however the contributors have learned how to handle that and the level of electronic invoices has increased in a 799% since 2013 to 2014 preparing 3,352,428 invoices in 2014, making formality to the market operation and increasing the data base of contributors as we can see in the following grap

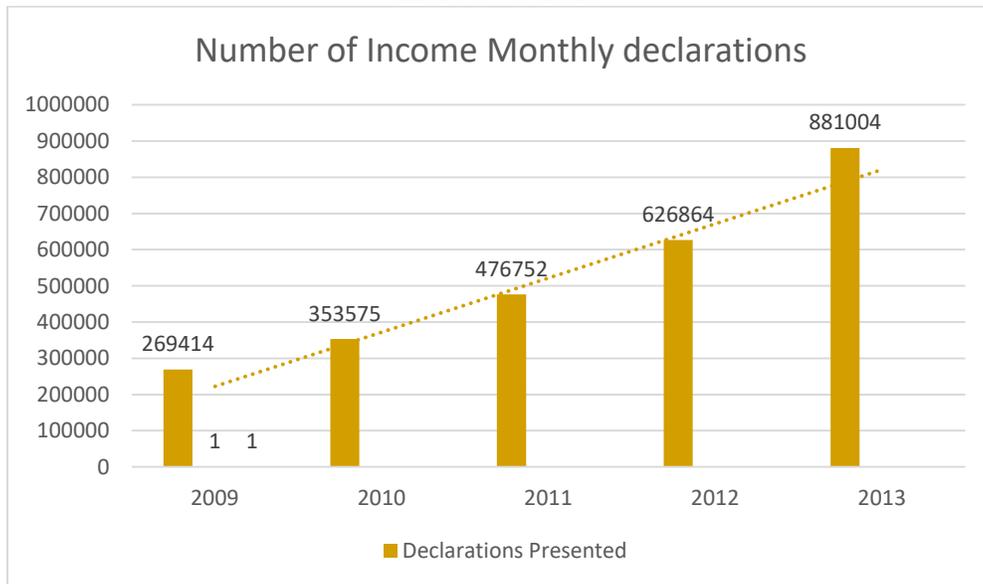
Graphic 2. Electronic Invoicing emission in 2011, 2012, 2013 and 2014.



Source: SAT (Tax System Administrators).

The number of the monthly Income declarations to the Fiscal Authorities by the contributors, is a significant indicator of commerce or operations formality, in the next graph, we can see the growing process that this requirement has had from 2009 to 2013.

Graphic 3. Number of Fiscal declarations received by the Fiscal Authorities In 2009 to 2013



Source: SAT (Tax System Administrator), Informative Flash IMEF 2017.

As we can see in the previous graph, the number of fiscal declarations has increased 327% from 2009 to 2013, indicating that the SMEs formality have had an increasing very significant, given security to the employees and to the SME's owners.

4. Conclusions

Based on the data analysis we can conclude that the Fiscal Authorities requirements to SMEs of Electronic Invoice and Electronic Accounting, has been complied in a regular

manner, increasing the number of contributor and in the issue of electronic invoices, since from 2013 to 2014, the level of invoices issued had an increase of 799% which is an historical data in Mexico, and the level of contributor has had a significant increase too, however it has an opportunity to increase in a 60% more in which the authorities in Mexico are working, since it represent the irregular market in Mexico, and in relation with the research design method developed, the design covers all the information required and the results obtained were good since this type of research was the most convenient for this kind of studies, since the data obtained through this design were enough to make an opinion on the information searched. .

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