

# Regime of Fiscal Incorporation (RIF): A Tool That Gives Competitiveness to Start-Ups in Mexico

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**Abstract:** The following text will show the different tax forms for a newly created company to become competitive, analyze the subsidies they have in a federal tax (Income Tax), compare the tax incorporation regime (RIF) with The old regime of small taxpayers (REPECO), analyzes the advantages and disadvantages of the appropriate use of RIF for start-ups, and finally, the tax incorporation regime is compared with similar ones in Latin America, reflecting on tax contributions Which each government has to raise so that its governments are efficient and effective within a country.

**Key words:** fiscal; regime; competitiveness

**JEL codes:** G

## 1. Introduction

“Regime of fiscal incorporation (RIF) a tool that gives competitiveness to start-ups in Mexico.” Introduction. Three years ago in Mexico there was a regime of small taxpayers (REPECO), which was used by micro and small taxpayers in Mexico; in understanding that they are companies or people with business activity that do not generate a high profitability, they were categorized into small taxpayers, however, with the vision of making the creation of new companies more competitive and the knowledge of fiscal gaps within the regime of small taxpayers, the fiscal incorporation regime (RIF) is created making this a more agile tool with more attractive incentives, in addition to the use of new technologies for which the user has

## 2. Methodology

In the following work the analytical method is used, showing the effect that the RIF has, showing the advantages of opening a company, with the fiscal incorporation regime, having as a base the structure of the fiscal incorporation regime, therefore its nature is of competitive nature, to solve challenges that the country and society have. But in What is the RIF? It is the regime of fiscal incorporation, noted for being the most versatile regime and most used by Mexicans, for its high competitive level within the operations performed by natural persons, reviewing the legal basis in Article 111 of LISR mentions:

### SECTION II FISCAL INCORPORATION REGIME

Article 111. Individual taxpayers who carry out only business activities, who sell goods or provide services

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for which it is not required for their professional title, may choose to pay the income tax in the terms established in this Section, provided that the income from their business activity obtained in the immediately previous year, would not have exceeded the amount of two million pesos.

The taxpayers referred to in the preceding paragraph who initiate activities, may choose to pay the tax in accordance with the provisions of this article, when they estimate that their income for the year will not exceed the limit to which it refers.

When in the aforementioned exercise they carry out operations for a period of less than twelve months, in order to determine the amount referred to in the preceding paragraph, the declared income shall be divided by the number of days included in the period and the result multiplied by 365 days; If the amount obtained exceeds the amount of the aforementioned amount, in the following fiscal year it can not be taxed according to this Section.

They may also apply the option established in this article, natural persons who carry out business activities through co-ownership, provided that the sum of the income of all co-owners for business activities carried out through co-ownership, without deduction, do not exceed the immediately preceding exercise of the amount established in the first paragraph of this article and that the individual income corresponds to each co-owner for said co-ownership, without any deduction, added from the income derived from sales of fixed assets of his activity business of the same co-owner, in the immediately preceding exercise, had not exceeded the limit referred to in the first

They can not pay the tax under the terms of this Section:

- I) The partners, shareholders or members of legal persons or when they are related parties under the terms of Article 90 of this Law, or when there is a link in terms of the aforementioned article with persons who have been taxed under the terms of this Section.
- II) Taxpayers who carry out activities related to real estate, real estate, real estate or financial activities, except for those who only obtain income for the performance of promotional events or personalized demonstration to individual customers for the purchase sale of homes or housing , and said clients are also natural persons who do not perform acts of construction, development, remodeling, improvement or sale of housing or housing.
- III) Individuals who obtain income referred to in this Chapter by way of commission, mediation, agency, representation, brokerage, consignment and distribution, except for those persons who receive income for mediation or commission concepts and these do not exceed 30% of your total income. The deductions that the moral persons make for the provision of this service, are considered final payments for this Section.
- IV) Natural persons who obtain income referred to in this Chapter for public and franchisee shows.
- V) Taxpayers who carry out activities through trusts or joint ventures.

The taxpayers referred to in this article will calculate and receive the tax on a bimonthly basis, which will have the character of definitive payment, no later than the 17th day of the months of March, May, July, September, November and January of the year. Next, by means of a declaration that will be presented through the systems that the Tax Administration Service has on its website. For these purposes, the fiscal utility of the bimester in question will be determined by subtracting from the totality of the income referred to in this article obtained in said bimester in cash, goods or services, the deductions authorized in the Law that are strictly essential for obtaining the income referred to in this Section, as well as the expenditures actually made in the same period for the acquisition of assets, expenses and deferred charges and the participation of workers in the profits of the

companies paid in the year, in the terms of Article 123 of the Political Constitution of the United Mexican States.

When the income received is less than the deductions of the corresponding period, taxpayers must consider the difference between both

For the purposes of the participation of the workers in the profits of the companies, in terms of this Section, the taxable income referred to in articles 123, section IX, paragraph e) of the Political Constitution of the United Mexican States, 120 and 127, section III of the Federal Labor Law, will be the fiscal profit resulting from the sum of the fiscal profits obtained in each two-month period of the year.

For the determination of the taxable income in the matter of participation of the workers in the profits of the companies, the taxpayers shall decrease from the cumulative income the amounts that would not have been deductible in the terms of fraction XXX of article 28 of this Law.

To determine the tax, the taxpayers of this Section will consider the income when they are effectively collected and will deduct the disbursements actually made in the year for the acquisition of fixed assets, expenses or deferred charges. To the fiscal utility obtained pursuant to the fifth paragraph of this article, the following shall apply:

**TARIFA BIMESTRAL**

Límite inferior	Límite superior	Cuota fija	Por ciento para aplicarse sobre el excedente del límite inferior
\$	\$	\$	%
0.01	992.14	0.00	1.92%
992.15	8,420.82	19.04	6.40%
8,420.83	14,798.84	494.48	10.88%
14,798.85	17,203.00	1,188.42	16.00%
17,203.01	20,596.70	1,573.08	17.92%
20,596.71	41,540.58	2,181.22	21.36%
41,540.59	65,473.66	6,654.84	23.52%
65,473.67	125,000.00	12,283.90	30.00%
125,000.01	166,666.67	30,141.80	32.00%
166,666.68	500,000.00	43,475.14	34.00%
500,000.01	En adelante	156,808.46	35.00%

The tax that may be determined may be reduced according to the percentages and according to the number of years that have been taxed in the regime foreseen in this Section, according to the following:

<b>TABLA</b>										
<b>Reducción del impuesto sobre la renta a pagar en el Régimen de Incorporación</b>										
<b>Años</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>
<b>Por la presentación de información de ingresos, erogaciones y proveedores:</b>	<b>100%</b>	<b>90%</b>	<b>80%</b>	<b>70%</b>	<b>60%</b>	<b>50%</b>	<b>40%</b>	<b>30%</b>	<b>20%</b>	<b>10%</b>

Against the reduced tax, no credit or reduction may be deducted for exemptions or subsidies.

Taxpayers who choose to apply the provisions of this Section, may only remain in the regime provided for, for a maximum of ten consecutive fiscal years. Once this period has ended, they must be taxed according to the regime of natural persons with business and professional activities referred to in Section I of Chapter II of Title IV of this Law (LIRS, 2015).

**Regime:** political and social system that governs a certain territory. By extension, the term names the set of rules that govern an activity or a thing. **Taxpayer:** Any individual who, due to having an economic activity, is obliged to contribute to the financing of public expenditure, in accordance with tax laws. Said individual may be a national or foreigner, a natural or legal person or a public or private entity.

**Tax:** Charge required by the Treasury on the income, assets and consumption of a natural or legal person. **Electronic invoice:** The electronic invoice in Mexico is a type of digital tax receipt and is defined as a digital document with legal validity, which uses internationally recognized security technical standards, to guarantee the integrity, confidentiality, authenticity, uniqueness and non-repudiation of the document. It is applicable to natural persons who meet the following requirements:

- 1) Carry out only business activities.
- 2) That alienate goods or provide services for which it is not required for completion of professional title.
- 3) That the income from their business activity obtained in the immediately previous year (2014) would not have exceeded \$2'000.000.00.

The base for the payment of the ISR is the bimonthly fiscal utility, to which a bimonthly rate will be applied. The ISR that is determined may be reduced according to the percentages and according to the number of years that have been taxed in the fiscal incorporation regime. Taxpayers who pay taxes under this tax regime must submit bimonthly to the SAT, in the bimonthly declaration of the ISR, the following data corresponding to the previous two months:

- 1) Earned income.
- 2) Expenses made, including investments.
- 3) Information on operations with your Requirements that must be fulfilled by those belonging to the Tax Incorporation Regime.
  - \* Request your registration in the RFC.
  - \* Keep receipts with fiscal requirements, only when a fiscal receipt for the operation has not been issued.
  - \* Register in the means or electronic systems according to article 28 of the CFF, the income. Expenses, investments and deductions for the corresponding year.
  - \* Provide your clients with tax receipts.
  - \* Make the payment of the expenses related to your purchases and investments, whose amount is greater than 2,000.00 by check, credit card, debit card or services.
  - \* Submit, at the latest on the 17th of the month, bimonthly declarations, determine and pay the tax.
  - \* In the case of disbursements for salaries, taxpayers must make the deductions.
  - \* Pay the ISR and comply with the established requirements and, lend bimonthly to the SAT.

### 3. Determination of ISR Payment

“Article 138. Individuals who pay the tax in the terms of LISR, calculate the tax that corresponds to them in the terms of the same, applying the rate of 2% to the difference that results from decreasing to the total of the income obtained in the month in cash, in goods or services, an amount equal to or four times the general minimum salary of the taxpayer’s geographical area raised per month.

When taxpayers make payments with a periodicity different from the monthly one in accordance with the provisions of the penultimate paragraph of section VI of article 139 of this Law, the income and the corresponding decrease in the terms of the previous paragraph shall be multiplied by the number of months to which the payment corresponds. Income from credit operations is considered for the payment of the tax until it is collected in cash, goods or services. For the purposes of the participation of workers in the profits of the company, the taxable income referred to in paragraph e) of fraction IX of article 123 of the Political Constitution of the United Mexican States and article 120 of the Law Federal Labor, will be the amount that results from multiplying by the factor of 7.35 of the Income Tax that is borne by the taxpayer.” Benefits of being RIF-Issue invoices (which allows you to sell more).

Access to credit from the bank with better conditions.

- You will be a formal entrepreneur, without risks of tax evasion.
- Your clients and your potential partners will see you as someone you trust.
- You can provide social security to your employees.
- You do not pay ISR the first year.
- During the following nine years you will receive a discount on the payment

### 4. Discussion

Pérez Chávez says that the tax benefit of reducing up to 100% of the ISR payment during the first year of operations in the scheme of Tax Incorporation (RIF), and only pay the income tax gradually, i.e., 0% in the first year of operations; 10% in the second, 20% in the third. Up to 100% in the tenth year, where the benefits for natural persons were extended. Guillermo Corona Salinas local administrator of the Tax Administration Service (SAT) reported that the affiliation of taxpayers to the Tax Incorporation Regime (RIF) in the state reports a 47% increase from 2014 to date, from 64,000 to 94,000 causes. Herbert Bettinger, described the Tax Incorporation Regime as a good idea but, for it to prosper, it is necessary that states, municipalities and the federal government insist on doing so, so at this time, it is useless. Therefore, the RIF is meeting its main objectives, which are to combat informality and increase revenue. This contributes directly to the increase in public finances and considering that in recent years the collection of taxes among small taxpayers has been minimal and each time small businesses fell into informality by not paying their taxes.

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