

## The 2022 tax reform on small walnut producers in Mexico

### La reforma tributaria 2022 en pequeños productores de nuez en México

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DOI: 10.35429/JLA.2023.17.7.8.11

Received January 15, 2023; Accepted June 30, 2023

#### Abstract

Abstract. Tax reform is the instrument promoted by the federal executive to make tax collection more efficient. The 2022 tax reform included important aspects such as the obligation to obtain the RFC at age 18, the payment of fines for issuing incorrect invoices and the creation of the simplified trust regime. It was expected that as a result of the application of said reform the number of taxpayers would increase, informality would be minimized, its implementation would be facilitated and tax evasion and fraud would be combated. The objective of this study was to evaluate the perception of small walnut producers in the municipalities of Delicias, Rosales and Lázaro Cárdenas in the state of Chihuahua, Mexico regarding the 2022 tax reform. A survey was carried out among walnut producers in two forums: information consultation and discussion. The results showed that 68% of the producers stated that they were registered as taxpayers, 62.4% were unaware of the benefits of the tax regime and 84.25% considered that the reform made their activity more expensive. Furthermore, about 62.5% stated that the reduction of the Income Tax (ITE) exemption was the factor that most affected them as producers. As a result of the forums, it was concluded that the 2022 tax reform negatively affected agricultural activity by increasing the tax and administrative burden and increasing the costs of its activity.

#### Taxes in Mexico, Income, Costs, Training

**Citation:** RODRÍGUEZ-ACOSTA, Sandra Elena, MACIAS-LÓPEZ, María Guadalupe, ORTEGA-MONTES, Fabiola Iveth and HERMOSILLO-NIETO, José Javier. The 2022 tax reform on small walnut producers in Mexico. Journal of Law Applications. 2023. 7-17:8-11.

#### Resumen

La reforma tributaria es el instrumento impulsado por el ejecutivo federal para hacer más eficiente la recaudación tributaria. La reforma tributaria de 2022 incluyó aspectos importantes como la obligación de obtener el RFC a los 18 años, el pago de multas por la emisión de facturas incorrectas y la creación del régimen simplificado de confianza. Se esperaba que como resultado de la aplicación de dicha reforma aumentaría el número de contribuyentes, se minimizaría la informalidad, se facilitaría su implementación y se combatiría la evasión y el fraude fiscal. El objetivo de este estudio fue evaluar la percepción de los pequeños productores de nuez de los municipios de Delicias, Rosales y Lázaro Cárdenas en el estado de Chihuahua, México sobre la reforma tributaria de 2022. Se realizó una encuesta entre productores de nuez en dos foros de consulta de información y discusión. Los resultados arrojaron que el 68% de los productores manifestó estar registrado como contribuyente, el 62,4% desconocía los beneficios del régimen tributario y el 84,25% consideró que la reforma encareció su actividad. Además, cerca del 62,5% afirmó que la reducción de la exención del Impuesto sobre la Renta (ITE) fue el factor que más los afectó como productores. Como resultado de los foros, se concluyó que la reforma tributaria de 2022 afectó negativamente la actividad agrícola al aumentar la carga tributaria y administrativa y al incrementar los costos de su actividad.

#### Impuestos n México, Ingresos, Costos, Capacitación

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## Introduction

The agricultural sector is the main source for the survival of society and the basis for other economic sectors. In Mexico, 80% of rural areas represent primary sector activities, where 25% of the population living in these areas is dedicated to agriculture and livestock farming, activities that belong to this sector, which is vulnerable, since most of them have little capacity and no administrative structure for the fulfilment of their tax obligations. Until 1993, this sector was under the regime called "Special tax bases" in which the tax was calculated by applying a predetermined profit coefficient, which varied annually, and taxpayers were always liable for ISR, despite having registered losses. However, even though the tax was not representative, taxpayers generated constant tax revenues for the Federation. In 1998, the rules of this regime were modified, but the agricultural, forestry, livestock, fishing and motor transport sectors continued to benefit.

The 2002 reform left a special chapter within the title of the legal entity known as the simplified regime, considering the same sectors included in the law that existed in 1998. For the fiscal year 2008, the same line was maintained for agricultural activities. From 2011 to 2013 there were no major changes to the Income Tax Law (LISR) with respect to the agricultural sector, and it was not until 2014 that reforms were made to the law, eliminating the simplified regime and creating a new chapter, the Regime for agricultural, livestock, forestry and fishing activities, also known as AGAPE. The tax miscellaneous, approved by the Chamber of Deputies and generally endorsed by the Senate, repealed section III of article 74 of the Income Tax Law (LISR, 2022), which includes the regime for agricultural, livestock, forestry and fishing activities (AGAPES), harming small and medium-sized producers in the agricultural sector who must migrate to the new Simplified System of Confidence (RESICO). In the State of Chihuahua, one of the main agricultural economic activities developed in this entity is agriculture on 1.12 million hectares, 51% of which are irrigation systems.

Within the Chihuahua countryside, agricultural activity generates the largest source of employment and income for more than 220,000 people, including ejidatarios and small landowners. It is important to measure the possible economic and fiscal repercussions that the changes will have on small agricultural producers, specifically walnut producers in the municipalities of Delicias, Rosales and Lázaro Cárdenas.

## Methodology to be developed

For the development of this study, the qualitative and descriptive approach was applied because it seeks to measure a social phenomenon based on a conceptual framework (Jaramillo, 2016). The documentary research addressed the theoretical and legal aspects of the 2022 reform, examining article 74 of the Income Tax Law, which repealed section III of the regime for agricultural, livestock, forestry and fishing activities (AGAPES), and also developed an analysis between the AGAPES regime and the RESICO, comparative tables were drawn up applying the limitations and showing the variations between the two assumptions (Hernández Sampieri, Fernández Collado, & Baptista Lucio, 2014).

To carry out the analysis of the effects of the tax reform on small agricultural producers, after the 2023 fiscal year 2022 tax return, an instrument was applied in an information and discussion panel, with walnut producers from module four of Cd. Delicias, with a sample of ninety-four users dedicated to walnut cultivation, choosing twenty-two producers, who have five or less hectares planted with pecan nut. The information obtained was processed using descriptive and inferential statistical techniques with the support of SPSS 25 software.

## Results

The results of the consultation with walnut producers showed that 55.5% of those surveyed in irrigation module number four of Delicias do not exceed the income of \$900,000.00 which is the ceiling for the ISR exemption of the 2022 reform, using 4.5% of walnut producers as they are within the old limit allowed by the AGAPE regime for individuals.

Of these, only 72.73% are registered with the SAT, which shows that 27.27% opt for informality and only 9.09% are aware of the reform, as 63.64% of respondents said they have accounting and tax advice.

Another interesting result is that 81.82% of the respondents belong to a rural association, and not being able to belong to this will affect the performance of their activity, and of these only 9.09% belong to a limited company.

Of those surveyed, 59.069% belong to a savings or loan bank, so they will not be able to belong to the new Trust Regime. It is observed that 27.73% receive income from salaries, so 72.27% meet the requirement of not working, which is a condition for small producers to be taxed under RESICO and not have to switch to the regime of professional activities.

68.18% of those surveyed consider that the change in the AGAPE regime of not allowing individuals to be taxed and migrating to RESICO will affect them significantly.

The analysis between the AGAPE regime and RESICO (RSC) showed that the simplification of obligations for the agricultural regime is unfavourable to taxpayers. It increased the payment of taxes and the loss of its former administrative facilities, in the AGAPE, comparable to the tax incorporation regime, (applicable to leasing, trade and provision of services), agricultural activities did not enter the taxation of a tax such as ISR. In this case, the taxpayer must change regime by joining a savings bank or having a job.

In the preliminary study for the 2023 return for the 2022 tax year, it was found that the small walnut producers in module number four in Delicias were almost completely unaware of the necessary information on the 2022 tax reform, however, they consider that this reform will make their activity more expensive and will affect their accounting, misinformation is what hurts these taxpayers the most.

### Acknowledgements

We would like to thank the Faculty of Agricultural and Forestry Sciences of the Autonomous University of Chihuahua for providing professional academic and research staff for this work.

### Funding

This project was funded by the Accountants' Office and the CONAHCYT grant.

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