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## THE TAX CULTURE OF MEXICO AND ITS EFFECTS ON THE COMPANY

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**Abstract:** Tax evasion is a problem that has an impact on the stability and sustainability of a country's public finances, thus limiting its growth and development, since the resources that governments fail to receive due to this behavior of their citizens are limited to guarantee the social and economic welfare of the country. In organizations, the tax culture must be part of an organizational structure since this is manifested in the compliance with the tax duties that the taxpayer perceives. It has been said that the tax problem is routed under the tax culture that any company has in the business environment. In this sense, the objective of this research is to analyze the importance of the tax culture in Mexico and its effects on the company. Therefore, a documentary review is carried out and using the descriptive method, the new tax processes and the technological incorporation implemented by the Tax Administration System to increase tax collection and reduce tax evasion are defined, thus bringing about changes that impact the tax culture of the organizations in the country. Finally, some results are presented which show the importance of having an organizational culture oriented to tax compliance in order to improve the administration of the tax burden, thus reducing the time required for the preparation of tax information and facilitating decision making in favor of the company.

**Keywords:** tax evasion, tax culture, business, taxes.

## INTRODUCTION

Companies today play an important role in Mexico's economy, as they are generators of wealth, employment, social connection and taxpayers; elements that are key to the development of the national economy; likewise, compliance with the company's tax obligations favors the strengthening of its image and improves its competitiveness.

Currently, tax imbalances, known as tax evasion, tax avoidance, among others, are problems that arise within the tax systems of different countries. To counteract such imbalances, it is essential to have a timely tax culture that promotes tax regularization through the mechanisms established by the tax authority.

In Mexico, the Political Constitution of the United Mexican States establishes in its Article 31, the obligation of Mexicans to contribute to the public expenses of the country, in accordance with the laws in force; however, the evolution of tax collection has not been sufficient, so it has been necessary to implement tax mechanisms that have impacted the tax culture of the organizations.

Yaguache, Pardo, and Espejo (2018) make mention that it is established that tax culture cannot be understood as the set of knowledge that citizens have about tax obligations and responsibilities, but rather, as the way in which an image of taxes is constructed from the combination of information and experiences about the action and performance of the State.

With all of the above, it is possible to establish the importance of analyzing the implementation of a tax culture in Mexican organizations, since the recurrence of tax changes has an impact on business operations, forcing them to invest in recurrent and costly training for the correct compliance of their regulations, which in many occasions do not generate benefits for the development of the market.

## DEVELOPMENT

### BACKGROUND

For some years in Mexico, the main source of income came from oil, which allowed it to sustain an enormous public expenditure without the need to implement an efficient tax policy that would allow it to balance income and expenditure; however, as of the 1990s and as a consequence of the decrease in oil income, the State proceeded to resize its sources of income, resorting to improve the “internal tax collection and the reduction of tax evasion, for which it is important to change the vision about the taxpayer and promote tax culture to help meet the financing needs of the government, for this purpose the tax laws were created and have been reformed in such a way that people are obliged to pay taxes, and therefore to promote a greater and better tax culture on the part of citizens”. (Mendoza et al, 2016)

Now, the tax culture must be part of the organizational structure of a company, since this is manifested in the fulfillment of the tax duties that the taxpayer perceives, since one of the tax problems is the lack of knowledge of the tax culture that any company has in the business environment, that is, that all organizations are immersed in a set of laws and regulations that are determined at governmental level and that are the same for all competitors of any organization, without distinction of the tax changes that impact relatively in the business operation.

Velázquez, Cerón, and Rodríguez (2016) mention that the problem faced by Mexican companies is the capacity to absorb knowledge through a tax culture, in the sense, of capabilities that reflect and show a strong weakness of their knowledge bases and technological and organizational capabilities, i.e., that knowledge bases are the result of a cumulative learning process, which is imperfect, complex and depends on the trajectory of each company.

Likewise, it is important to be aware that the country requires recurring adaptations to its fiscal framework in order to avoid money laundering, tax evasion, control of resources by the bureaucracy and, in general, changes that provide greater revenue for the public treasury and, consequently, for the benefit of all Mexicans.

The importance of this topic lies in the fact that tax control systems are making the action of paying taxes more complex, which indirectly increases the time required by companies and their managers for this activity. It has been said that taxation should be simple and straightforward so that companies do not have to allocate resources to an activity that does not add any value to the competitive process of the organizations, however, businessmen perceive it in the opposite way.

### THEORETICAL DISCUSSION

Tax culture as a concept is located at the intersection of economics, sociology and history, which requires a necessarily multidisciplinary approach for its understanding. In the Spanish-language literature, different authors have analyzed the need for education in order to develop such tax culture, since the tax culture problem is also related to phenomena such as corruption of illicit income, which in turn influences tax evasion, which is undoubtedly a particular situation for each country (Díaz, Cruz, and Castillo, 2016).

Tax culture must be understood as a way of life where the citizens of a country must be aware of the role we play within society, “combining manifestations where values are cultivated, promoting attitudes and behaviors oriented to the fulfillment of our tax obligations”. In order to create a tax culture, it is necessary to have an impact on the awareness of taxpayers, which goes beyond a simple action, since it implies a whole process that goes from awareness to reflection, so that people (individuals or legal entities) are capable of dimen-

sioning the potential we have to transform our environment and reality by being part of it (Arroyo, Espinosa and Amezcua, 2014).

Edidiong, Bassey & Ojo (2022) agree that the success of tax administration and its reforms depends on effective interaction between the tax authority and its stakeholders. It is worth noting that there has been an involvement of a number of international institutions such as the Platform for Collaboration on Tax Matters

One of the ways to stimulate taxation is through the transparency of the management and destination of public funds, however for some the perception may be positive while for others it is negative, which consequently brings fiscal vices that lead to tax evasion, which according to the Tax Administration Service (SAT) is any action or partial or total omission, tending to evade, reduce or delay the fulfillment of the tax obligation, being considered an illegal act, which in a certain way is fed by the lack of equity that occurs between taxpayers who satisfactorily comply with their obligations and those who do not.

## METHOD

The nature of the research is qualitative, which according to Alvarez (2006) “seeks subjectivity, explaining and understanding individual or group subjective interactions and meanings” (p. 41).

This research is a documentary type review and using the descriptive method, it defines the new tax processes and the technological incorporation implemented by the Tax Administration System to increase tax collection and reduce tax evasion, thus bringing about changes that will have an impact on the tax culture of the country's organizations.

Subsequently, an analysis of the information is carried out to develop proposals that are important for the tax culture in the organization, which indirectly helps the time required by companies and their managers in the proper fulfillment of tax obligations.

## RESULTS

Tax policy is one of the most important elements in any economy, since it determines the behavior of a country's income, as well as business behavior. Both tax increases and the complexities involved in implementing them in companies represent a high-level administrative problem. The tax field is multifactorial, which makes it chaotic both in its study and in the potential for finding solutions.

Trejo (2018) mentions that tax culture is a behavior that must be had in terms of permanent compliance with tax duties based on reason, trust, in the application of economic resources, personal ethics, respect for the law and citizen responsibility before the fulfillment of tax obligations before the Secretariat of Public Administration (SAT).

The main emphasis of the countries is the tax issue, since from the operational perspective of the organization, it is about the needs in training for tax management as to have a tax culture, this is crucial because the tax miscellaneous in Mexico have increased in the last five years the tax bureaucracy, making increasingly more complicated the payment of taxes and the control of them for the businessman. The partial solution has been to outsource the process to independent accountants, in exchange for a higher business cost.

With the literature review, it is possible to point out the following proposals for the organization to learn more about the tax culture, since the businessman seeks to carry out his accounting and tax payments in the best way, as this avoids any conflict or evasion that could be misunderstood in the controls by the Tax Administration.

Finally, the importance of the tax culture in the organization helps to reduce the tax burden, since it increases indirectly with the electronic tax returns, and the sending of this through the tax mailbox of the accounting through the trial balance, allows the authority to carry out an audit when the taxpayer incurs any omission.

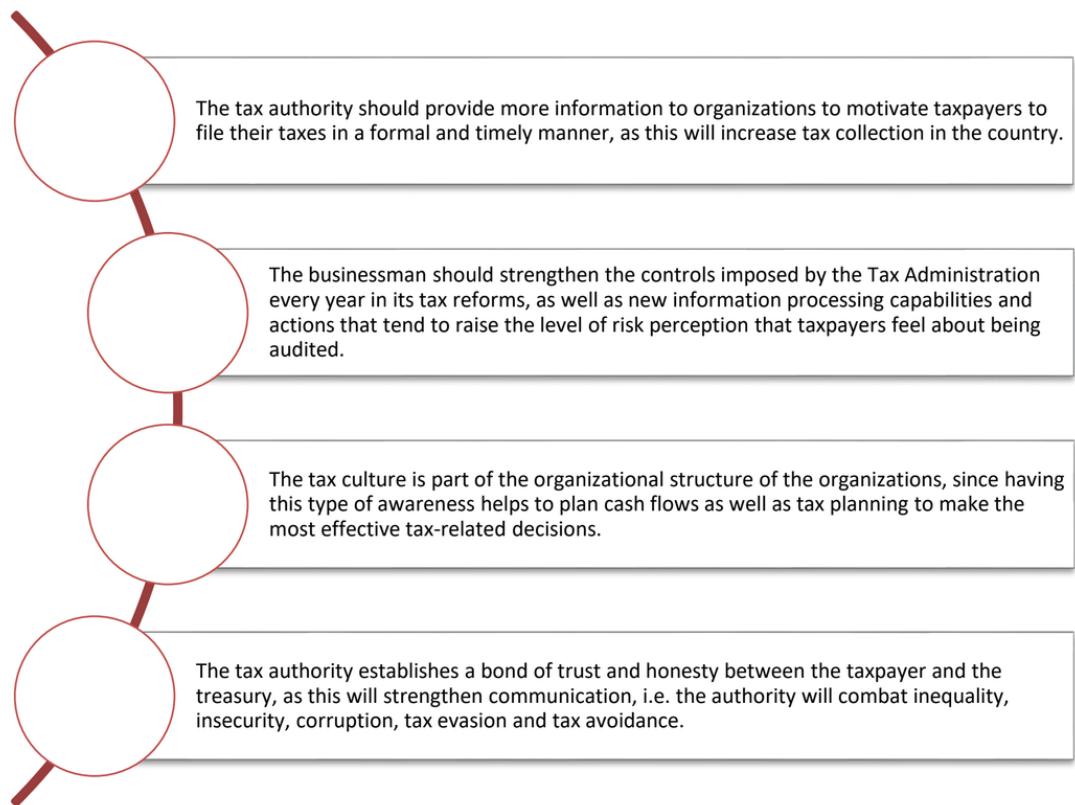


Figure 1. Tax culture strategies.

Source: Own elaboration

## CONCLUSIONS

The lack of a tax culture leads to probable tax evasion. In Mexico, the literature on local tax efforts is limited and has different problems, particularly with respect to its estimation and availability of information, which can have consequences for the tax authorities.

It is also clear that the company has to pay taxes not only for its own activity, but also has to withhold the corresponding tax from the employees and that this changes according to the national fiscal policies due to inflation adjustments. The human resource, which is key to any organization, suffers the consequences of the tax policy, but the one who suffers the most is the company, since it has to make the corresponding withholding calculations in order to pay them to the tax authorities.

“If at the moment of entering the fiscal sphere, we were able to ensure that from childhood we had an awareness of responsibility,

commitment, legality and solidarity, fiscal behavior would be different, since there would be no gaps in knowledge, commitment and responsibility to comply with fiscal obligations, which have been developing in recent decades in which the absence of the reinforcement of values by the government has gone against the benefit of the country, so it requires the commitment of all actors in a tripartite manner between government, educational institutions and society to impact as a pillar of the tax culture” (Arroyo, Espinosa and Amezcua, 2014).

Through the formation of a tax culture it is intended that taxpayers are involved in the process and become aware of the constitutional duty they have to contribute to public spending, in order to have the necessary resources available to comply with the duty to ensure effective and efficient public services to citizens (Pirela, 2021). (Pirela, 2021).

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