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PRELIMINARY ANALYSIS OF THE WAGE AND SALARY REGIME IN INCOME TAX: YEAR 2022

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Abstract: This research analyzes the relevance of the Salary and Wage Regime as the main source of Income Tax (ISR) collection in Mexico during the 2022 fiscal year. The study was developed with a descriptive and documentary approach, complemented by quantitative analysis based on official statistics from the Tax Administration Service (SAT), the National Institute of Statistics and Geography (INEGI), and the OECD.

Keywords: Impuesto Sobre la Renta, recaudación tributaria, Régimen de Sueldos y Salarios, política fiscal, México

INTRODUCTION

Mexico's tax structure presents an ongoing challenge: achieving sufficient and equitable tax collection to ensure the sustainability of public finances. According to data from the SAT (2022), the different tax regimes show significant contrasts between the number of taxpayers and their contribution to total tax revenue.

This study seeks to conduct a preliminary analysis of the share of the Wages and Salaries Regime in total tax revenue during 2022 and compare it with other regimes, with the aim of identifying structural asymmetries in the Mexican tax system.

MEXICAN TAX SYSTEM

The Mexican tax system has been characterized as the product of multiple factors; however, obtaining greater tax revenues has always been an urgent need for the State. The system is historical, as it has not been created with harmony between the different contributions that comprise it and the objectives to be achieved (Rios Granados, 2002).

In this sense, the Mexican tax system consists of a set of rules and procedures that allow the State to obtain economic resources to finance public spending and promote the redistribution of wealth. Within this system, taxes

are fundamental elements, notably the Income Tax (ISR), which is levied on the income of individuals and legal entities (González, 2020).

WAGES AND SALARIES REGIME

For the purposes of the Income Tax Law (LISR), taxpayers are classified into different regimes, each with specific obligations and rates. Among them, the Wages and Salaries Regime is considered one of the most important, due to the large base of salaried workers and its significant contribution to income tax collection (Tax Administration Service, 2022).

According to SAT data (2022), the wages and salaries regime accounts for a significant proportion of total income tax collection in Mexico. Its relevance lies in the formalization of employment and the effectiveness of withholding at source as a collection mechanism, guaranteeing financial stability for the State and the sustainability of public policies (González, 2020).

RELEVANCE IN TAX COLLECTION

It is worth mentioning that tax collection is a fundamental pillar for sustaining the economy and providing public services in Mexico. Within the national tax system, income tax (ISR) is the main source of revenue for the federal government, and its proper administration and compliance are essential to guarantee fiscal stability.

In 2022, according to the Organization for Economic Cooperation and Development (OECD)'s *Tax Statistics in Latin America and the Caribbean 2024*, Mexico's tax collection represented 16.9% of the Gross Domestic Product (GDP). This level was lower than both the average for Latin American and Caribbean countries (21.5%) and the average for OECD member countries (34%). Within the region, Mexico only surpassed, Paraguay (14.7%), Guatemala (14.4%), the Domini-

can Republic (13.9%), Panama (13.1%), and Guyana (10.6%).

In this regard, during the 2019-2024 administration, the federal government defined a fiscal policy characterized by the non-creation of new taxes in real terms, as well as the absence of fuel price increases above inflation. It also set a goal of reducing electricity and fuel rates by the middle of the six-year term. Within this framework, the Tax Administration Service (SAT) implemented the ABC strategy as the cornerstone of the 2019-2024 *National Development Plan* and the 2020-2024 *National Development Financing Program*. This strategy focused on: (A) increasing collection efficiency, (B) reducing tax evasion and avoidance, especially among large taxpayers, and (C) combating corruption.

In budgetary terms, the 2022 *Federal Revenue Law* estimated total resources of \$7,088,250,300,000.00. Of this amount, 54.24% would come from taxes; 17.00% from sales of goods, provision of services, and other revenues; 12.92% from financing; and the remaining 15.84% from social security contributions, improvement contributions, duties, products, exploitation, and transfers.

Within tax revenues, the main taxes were income tax (ISR), with an expected collection of \$2,273,840,000,000.00 (29.25% of total revenues), and Value Added Tax (VAT), with \$1,213,777,900,000.00 (17.12%). Together, they represented 46.38% of public resources in 2022.

In this context, the Tax Administration Service (SAT) published the *Tax and Management Report for the fourth quarter of 2022*, which presents the distribution of the tax roll and revenue collection by tax regime. Among them, the Wages and Salaries Regime is one of the main sources of income tax collection, which justifies a detailed analysis of its performance during that fiscal year. (See Figure 1).

Type of taxpayer	Taxpayers	% of total	Revenue (billion pesos)	% of total
Total ^{1/}	61,781,894	100	3,812,520	100
Large tax-payers ^{2/}	11,895	0.02	1,759,428	46
Legal entities	2,352,966	4	923,097	24
RESICO ^{3/}	186,348	0.3	16,091	0.4
Other	2,166,618	4	907,006	23.8
Individuals ^{4/}	11,192,229	18	116,059	3
RESICO ^{3/}	2,691,381	4	12,751	0.3
Other	8,500,848	14	103,308	2.7
Wages and salaries	48,146,076	78	1,013,935	27

Note: Figures correspond to the register of active taxpayers, excluding those registered as “without obligations” and “without regime.” A taxpayer may pay taxes under more than one regime.

1/ Includes 78,737 individuals from the Large Taxpayers register, for a total of 80 million pesos, who are not included in the breakdown.

2/ The Large Taxpayers register is made up of the Large Taxpayers and Hydrocarbons registers. For presentation purposes, Large Taxpayers individuals are excluded; the latter are only included in the total.

3/ RESICO: Simplified Trust Regime. These are taxpayers who have already migrated to the new regime.

4/ Non-salaried individuals, excluding large taxpayer individuals. There may be differences in the totals and percentages due to rounding.

1 . Distribution of the tax roll and revenue collection by regime, January-December 2022.

Taxpayers in the registry; amounts in millions of pesos

Source: Prepared internally with data from the Tax Administration Service (

Analysis of Figure 1 reveals a marked asymmetry in the structure of tax collection in Mexico. While the Wages and Salaries Regime, which accounts for 78% of taxpayers (48,146,067 million people), contributed only 27% of total revenue in 2022, large taxpayers,

who represent only 0.02% of taxpayers, generated 46% of tax revenue. This relationship highlights a highly concentrated tax system, in which a small number of companies and corporations account for almost half of public resources, while the majority of the salaried population contributes mainly through mandatory income tax withholdings.

This raises important considerations for Mexican fiscal policy: on the one hand, the state's dependence on a small number of large taxpayers implies risks to the sustainability of tax collection; on the other hand, the high burden of withholdings on wages and salaries reflects the status of workers as captive taxpayers, which limits their fiscal leeway. Taken together, this situation underscores the need to broaden the effective tax base and move toward a more equitable and diversified revenue collection system.

ANALYSIS OF THE WAGES AND SALARIES SYSTEM AS THE MAIN SOURCE OF INCOME TAX REVENUE

The Wages and Salaries Regime is the main source of income tax (ISR) revenue in Mexico. According to the SAT Tax and Management Report, Fourth Quarter 2022, for every peso collected from income tax, \$0.44 pesos come from salaried workers, whose tax is mainly withheld by legal entities.

In absolute terms, of the total revenue of \$2,273,840,000,000.00 collected during fiscal year 2022, \$1,000,489,600,000.00, equivalent to 44% of income tax, corresponded to taxpayers in the wages and salaries regime. This figure highlights the centrality of income from salaried work within the Mexican tax system, both in terms of collection volume and coverage of the tax base.

The remaining 56%, equivalent to \$1,273,791,040,000.00, was contributed by other types of taxpayers: large taxpayers, le-

gal entities, legal entities under the RESICO regime, individuals, RESICO individuals, and other taxpayers. This group represents only 22% of the taxpayer base, made up of 13,592,017 individuals and legal entities.

In this sense, the Wages and Salaries Regime is not only the most important source of income tax revenue, but also reflects the effectiveness of the withholding system and the relevance of labor income in the national economy. Its analysis allows us to gauge the tax system's dependence on income from salaried work, a situation that, when described, could allow us to identify areas of opportunity to strengthen tax collection and equity.

ANALYSIS OF THE TAXPAYER BASE OF THE WAGES AND SALARIES REGIME, WHICH CONTRIBUTES TO INCOME TAX REVENUE COLLECTION

Once it has been determined that the Wage and Salary Regime contributed \$1,000,489,600,000.00 pesos, equivalent to 44% of total income tax revenue in 2022, it is essential to analyze the structure and behavior of its taxpayer base.

According to the Tax and Management Report (SAT, 2022), the number of taxpayers registered under the Salaries and Wages Regime rose to 48,146,067, representing 78% of the total number of taxpayers registered for income tax. These figures indicate that the main tax regime in the income tax collection system is the Wages and Salaries Regime in terms of its number and the monetary contribution it makes to the Mexican State's revenue.

It is important to note that the figure reported by the SAT is not static, but is subject to changes throughout the fiscal year due to various factors:

- New registrations: entry of new taxpayers into the formal labor market.
- Departures: exit from the regime due

Economic sector	Total income tax collected	Profits		Withholdings ^{3/}		Other income ^{4/}	
		Legal entities ^{1/}	Individuals ^{2/}	Legal entities	Individuals	Legal entities	Natural persons
Total	2,273,840	1,042,221	37,434	1,115,738	12,611	19,203	4,632
Manufacturing industries	483,285	274,229	-605	208,469	655	199	339
Wholesale trade	227,754	147,650	3,636	75,141	706	105	516
Financial and insurance services	184,161	94,725	1,085	87,112	173	98	967
Retail trade	158,246	91,756	4,303	60,172	1,210	796	9
Activities of the government and international and extraterritorial organizations	156,624	-89	-1,405	158,105	5	9	-
Professional, scientific, and technical services	142,834	33,162	6,859	89,741	3,528	8,888	656
Educational services	109,650	2,888	-492	107,167	62	24	0
Business support services and waste management and remediation services	105,571	49,967	-4,049	55,042	3,208	937	466
Transport, postal services, and warehousing	101,713	58,966	2,187	39,822	553	162	24
Health and social assistance services	100,098	7,547	1,751	90,559	207	33	0
Real estate and rental services for movable and intangible property	88,672	55,987	14,263	17,236	385	526	274
Mining	69,369	46,542	-804	23,592	22	-1	17
Mass media coverage	63,528	36,850	214	26,027	33	44	359
Construction	62,556	38,959	1,557	21,427	437	124	52
Others ^{5/}	59,069	31,050	4,753	22,154	529	525	58
Corporate and business management	41,079	26,709	149	12,796	18	6	1,400
Electricity, water, and gas supply through pipelines to end consumers	31,770	9,716	-388	22,448	-4	2	-4
Agriculture, livestock, forestry, fishing, and hunting	26,893	14,362	2,860	9,727	399	462	-916
Temporary accommodation and food and beverage preparation services	25,692	12,153	509	12,339	150	140	401
Other services except government activities	19,486	6,301	524	11,739	310	598	13
Cultural and sports recreation services and other recreational services	9,999	2,549	483	6,900	23	44	0
Other Assistants ^{6/}	5,790	242	44	22	0	5,483	0

Note: Revenue is grouped according to the payment items in the taxpayer's returns. A negative value implies that tax reductions, such as refunds, offsets, and adjustments, were greater than the tax paid for the period in question.

1/ Corporate Income includes: General Regime, Optional Regime, Coordinated Regime, Agricultural, Livestock, Forestry, and Fishing Activities Regime, Contractors and Assignees, and Simplified Trust Regime.

2/ Individual Income includes: Business and Professional Activity, Simplified Trust Regime, Leasing, and Other Income of Individuals.

3/ Withholdings include: Withholdings from Salaries, Interest, Foreign Residents, and others made by taxpayers as withholding agents.

4/ Other Income includes: Disposal of assets. Agricultural, Livestock, Forestry, and Fishing Activities Regime, Tax Incorporation Regime, and items in force in previous fiscal years and income derived abroad.

5/ Taxpayers with activity pending definition.

6/ Includes revenue reported by the Federal Entities as Auxiliary. There may be differences in the totals due to rounding. Preliminary figures.

Table 1: Income Tax
January-December 2022
Millions of pesos.

to termination of employment or employer withdrawal.

- Taxpayers without income: wage earners who remain registered but did not receive any income during certain periods.
- Changes in regime: individuals who cease to pay taxes on wages and salaries in order to join other tax schemes.
- Intermittent employment: workers who leave a job and then rejoin it in the same year.

For this reason, the tax authority itself publishes monthly records of the number of taxpayers in the wages and salaries regime, which makes it possible to identify the variability and internal dynamics of this base throughout 2022. These records make it possible to gauge not only the size of the regime, but also its relative stability compared to other taxpayers.

Thus, the table published by the SAT (2022) shows that the taxpayer base for the wages and salaries regime experienced a variation during the fiscal year, rising from its lowest level in January 2022 to December 2022, with an increase of 1,083,997 taxpayers. This behavior highlights the dynamics and labor mobility characteristic of this regime, in which the number of registrants is not static but reflects new registrations, deregistrations, and re-entries.

This variability is relevant because, although in December 2022 there were 48,146,067 taxpayers, equivalent to 78% of the total register, not all of them necessarily contributed to the 44% of income tax revenue attributable to this regime. The reason is that, within this base:

There are individuals who did not receive income during certain months.

Some taxpayers withdrew or changed regimes.

Others did not earn enough income to generate income tax.

A significant group contributed intermittently, due to changes in employment or periods of unemployment.

As a result, the number of salaried taxpayers who actually contributed to income tax is not identical to the total number registered at the end of the year, which represents a limitation in the direct estimation of individual contributions.

A key aspect to better understand this situation is the income level of salaried taxpayers. The regime covers workers with very diverse incomes, and not all of them are required to pay income tax, as some do not exceed the exemption limit established by the Income Tax Law. This condition makes it more complex to accurately quantify the number of effective taxpayers in the collection.

To approximate this stratification, we propose performing a mathematical interpolation based on the occupation and income data published by the National Institute of Statistics and Geography (INEGI). This procedure will allow us to establish a more realistic estimate of the taxpayers who actually contributed to income tax within the wages and salaries regime, considering the distribution by income ranges.

Below is the stratified information from INEGI, which will serve as a reference for constructing this interpolation and, thus, more accurately measuring the actual contribution of the wages and salaries regime to income tax collection.

As can be seen, the National Institute of Statistics and Geography (INEGI) provides information on the employed population, classified according to income levels expressed in minimum wages. This stratification allows us to identify not only those who earn up to one minimum wage, but also those who earn more than five minimum wages, in addition to two relevant categories: people who do not receive income and those who do not specify their income level.

Employer: by type of taxpayer, 2022				
Month	Salaried employees (PF)	Large taxpayers (PM)	Legal entities	Total taxpayers
January	47,062,070.00	11,800.00	2,286,648.00	80,780,732.00
February	47,129,379.00	11,775.00	2,288,783.00	80,875,957.00
March	47,181,771.00	11,818.00	2,296,536.00	80,974,309.00
April	47,253,248.00	12,132.00	2,303,173.00	81,049,225.00
May	47,325,047.00	12,127.00	2,307,657.00	81,141,532.00
June	47,436,426.00	12,069.00	2,312,813.00	81,238,444.00
July	47,520,104.00	12,133.00	2,317,051.00	81,352,032.00
August	47,657,299.00	12,132.00	2,321,426.00	81,543,658.00
September	47,778,248.00	12,206.00	2,328,303.00	81,724,225.00
October	47,928,902.00	12,223.00	2,337,328.00	81,928,144.00
November	48,060,896.00	12,214.00	2,346,360.00	82,113,464.00
December	48,146,067.00	11,895.00	2,354,324.00	82,455,265.00

Table 2: Register: by type of taxpayer in 2022

Source: Prepared internally with data from SAT open data: (Tax Administration Service, n.d.)

National Institute of Statistics and Geography (INEGI)								
Occupation.								
Employed population by income level, national quarterly								
(Persons)								
Period	Total	Up to minimum wage	More than 1 to 2 minimum wages	More than 2 to 3 minimum wages	More than 3 to 5 minimum wages	More than 5 minimum wages	No income	Not specified
2021								
I	52,973,270	13,409,568	19,062,560	6,958,218	3,273,699	1,174,676	2,785,922	6,308,627
II	55,242,748	14,228,426	19,567,314	7,280,286	3,473,812	1,196,222	3,036,146	6,460,542
III	55,836,230	13,800,307	19,641,674	7,383,664	3,564,333	1,294,722	3,357,316	6,794,214
IV	56,611,211	13,661,940	19,940,225	7,742,940	3,552,820	1,299,638	3,235,154	7,178,494
2022								
I	56,079,123	19,174,266	18,327,341	5,759,790	2,307,686	826,267	2,893,470	6,790,303
II	57,420,677	18,983,918	19,041,105	5,787,891	2,371,462	910,660	3,037,270	7,288,371
III	57,440,441	18,301,841	19,174,677	6,036,973	2,272,639	794,304	3,360,922	7,499,085
IV	58,349,353	17,912,989	19,772,120	6,258,692	2,533,307	890,731	3,274,735	7,706,779
2023								
I	58,492,126	20,971,572	19,776,708	5,029,766	1,955,446	662,890	2,918,301	7,177,443
II	58,521,990	20,368,429	20,018,022	5,072,202	1,996,323	694,394	2,985,916	7,386,704
III	59,167,472	19,681,392	19,948,701	5,445,970	2,103,278	771,892	3,141,390	8,074,849
IV	59,403,947	19,548,314	20,517,264	5,628,634	2,138,230	838,997	2,982,491	7,750,017
2024								
I	59,120,905	23,392,875	18,363,728	4,627,076	1,440,842	659,947	2,778,227	7,858,210

Table 3: Employed population by income level, national quarterly

Source: Own calculations based on data from (INEGI, 2022)

The information is published by INEGI on a quarterly basis, reflecting variations in the labor market throughout the year. However, for the purposes of estimating the effective contribution of wage earners to income tax, it is methodologically appropriate to calculate an average of the four quarters for each income segment in order to obtain a representative annual value that reduces the seasonality inherent in the information.

This procedure will allow:

1. Approximate the annual distribution of salaried workers according to income levels.
2. Estimate the actual proportion of effective taxpayers in income tax collection, considering that the lower income segments (up to the minimum wage) do not generate income tax, while the higher levels do make a significant contribution.
3. Build a mathematical interpolation model in which the taxpayer base reported by the SAT (48,146,067 wage earners in December 2022) can be redistributed according to INEGI income ranges.

The next step will be to prepare a summary table with the annual average by income level, based on the four quarters reported by INEGI, which will serve as input for the quantitative analysis of the wage and salary regime in income tax collection.

Using information provided by the National Institute of Statistics and Geography (INEGI) on the income levels of the employed population, and taking as a reference the base of 48,146,067 taxpayers registered in December 2022 in the wages and salaries regime (SAT, 2022), a mathematical interpolation was performed to approximate the stratification of this tax base.

The procedure consisted of calculating an annual average for the four quarters of 2022 in each income category (expressed in multiples of minimum wages, in addition to the segments of people with no income and unspecified income). This distribution was then projected onto the total number of taxpayers in the wages and salaries regime in order to estimate how many individuals fall into each range.

This exercise does not seek to identify individual taxpayers, but rather to construct an aggregate approximation that allows for analysis of the actual structure of those who make up the regime and, consequently, to indirectly identify the proportion of taxpayers with the capacity to generate income tax.

The result of the interpolation is presented in the following table:

Although at the end of 2022, the SAT reported 48,146,067 taxpayers registered in the wages and salaries regime (Tax Administration Service, 2022), not all of them effectively contributed to the 44% of income tax revenue attributed to this regime. The figure is reduced when considering legal exemptions and the sociodemographic characteristics of taxpayers.

First, the National Institute of Statistics and Geography (reports that 2,637,509 people registered in this regime do not receive income; as they do not fall under the category of income earners, they are not subject to income tax.

Second, 15,625,133 taxpayers earn only an income equivalent to the minimum wage. According to tax regulations, they are not subject to income tax withholding, given that:

“Article 96. Those who make payments for the items referred to in this Chapter are required to make monthly withholdings and payments, which will be considered provisional payments

National Institute of Statistics and Geography (INEGI)															
Occupation															
Employed population by income level, national quarterly															
(People)															
Pe- riod 2022	Total	Up to one minimum wage	More than 1 to 2 minimum wages	More than 2 to 3 mi- nimum wages	More than 3 to 5 minimum wages	More than 5 minimum wages	No income	Not speci- fied							
I	56,079,123	19,174,266	34.19	18,327,341	32.68	5,759,790	10.27	2,307,686	4.12	826,267	1.47	2,893,470	5.16	6,790,303	12.11
II	57,420,677	18,983,918	33.06	19,041,105	33.16	5,787,891	10.08	2,371,462	4.13	911	1.59	3,037,270	5.29%	7,288,371	12.69%
III	57,440,441	18,301,841	31.86	19,174,677	33.38	6,036,973	10.51	2,272,639	3.96	794,304	1.38	3,360,922	5.85	7,499,085	13.06%
IV	58,349,353	17,912,989	30.70	19,772,120	33.89	6,258,692	10.73	2,533,307	4.34	890,731	1.53	3,274,735	5.61	7,706,779	13.21
			129.81%		133.11%		41.59%		16.55%		5.97%		21.91%		51.07%
		Periods	4.00	Periods	4.00	Periods	4.00	Periods	4.00	Periods	4.00	Periods	4.00	Periods	4.00
	0.00%		32.45%		33.28%	10.40%	4.14%		1.49%		5.48%		12.77%		

Table 4 Employed population by income level, national quarterly
Source: Own calculations based on data from INEGI (INEGI, 2022)

Total number of taxpayers registered with the SAT in De- cember 2022	Up to one mini- mum wage	More than 1 to 2 minimum wages	More than 2 to 3 minimum wages	More than 3 to 5 minimum wages	More than 5 mi- nimum wages	No income	Not speci- fied	
	32.45%	33.28%	10.40%	4.14	1.49%	5.48	12.77%	100
48,146,067	15,625,133	16,021,751	5,005,607	1,991,221	718,426	2,637,509	6,146,420	

Table 5 Taxpayers who obtain income from wages and salaries in fiscal year 2022
Source: Own calculations based on data from INEGI and SAT open data: (Tax Administration Service, n.d.)
(INEGI, 2022)

on account of the annual tax. No withholding will be made for persons who, in a given month, only receive a general minimum wage corresponding to the taxpayer's geographical area..." (Chamber of Deputies of the Honorable Congress of the Union, 2024)

Additionally, pensioners and retirees must be considered. Article 93, section IV, of the Income Tax Law (Chamber of Deputies, 2024) establishes the exemption of pensions up to the equivalent of 15 UMA per day, which in 2022 corresponded to \$43,299.00 per month. In that year, there were 1,288,376 active pensions in the ISSSTE (ISSSTE, 2022) , and 5,183,934 pensioners in the IMSS (IMSS, 2022) , for a total of 6,472,310 pensioners. According t , with (Juárez, 2020) , only 5% of IMSS retirees receive more than 10 minimum wages in pension, so the majority fall into the exempt category.

With this adjustment, the base of wage earners who actually paid income tax in 2022 is reduced to 23,411,115 taxpayers, i.e., less than half (48.6%) of those registered in the wages and salaries regime.

SAT Taxpayer Register	48,146,067
(-) Estimated number of workers earning 1 minimum wage	15,625,133
(-) Estimated number of people with no income	2,637,509
(-) ISSSTE pensioners	1,288,376
(-) IMSS pensioners	5,183,934
(=) Estimated taxpayer base	23,411,115

Table 6 SAT Taxpayer Register

Source: Own elaboration

COMPANIES AS THE MAIN AGENT FOR THE COLLECTION OF INCOME TAX, WHICH CORRESPONDS TO THE TAX REGIME FOR WAGES AND SALARIES

Companies play a fundamental role in determining and collecting the resources that

support income tax (ISR), as they generate their own income subject to this tax and, at the same time, become withholding agents for the contributions corresponding to workers under the wages and salaries regime (Tax Administration Service, 2022) .

This is relevant because it is within companies that the income that triggers legal obligations in tax matters is generated. Thus, companies have a dual function: to pay income tax on their own income and to withhold contributions derived from the wages they pay to their employees. In this regard, Article 96 of the Income Tax Law establishes that those who make payments for wages and salaries must make the corresponding withholdings, except in the case of workers who only receive a minimum monthly wage (Chamber of Deputies of the Honorable Congress of the Union, 2024)

In this regard, it is important to note that not only companies participate in the management of withholdings under this regime; the government at its various levels also has the responsibility to make them. However, in the case of companies, this duality is key, since when they generate their own income, they must pay income tax as taxpayers, and at the same time, when they need workers to operate, they must withhold and pay the income tax of their employees.

With regard to companies' own income, the Income Tax Law establishes different treatment depending on whether they are individuals or legal entities. In the case of legal entities, they are taxed at a rate of 30% on taxable income, which is obtained by subtracting authorized deductions, employee profit sharing (PTU), and, where applicable, tax losses pending amortization from cumulative income (

Individuals, on the other hand, are taxed on a progressive scale ranging from 1.92% to 35%, depending on their income level and the tax regime under which they are taxed (Tax Administration Service, 2022) .

INCOME TAX WITHHOLDINGS FROM SALARIED EMPLOYEES

As mentioned above, companies or government institutions must withhold income tax (ISR) from their employees, as established in Article 96 of the Income Tax Law (Chamber of Deputies of the Honorable Congress of the Union, 2024).

In addition to the obligation to withhold tax, the persons making the payments have a legal responsibility to calculate the correct amount and pay it in full. In the event of non-compliance, the Federal Tax Code (CFF) states that the withholding agents are jointly and severally liable, so that the tax authority will not audit the employee, but directly the employer or withholding agent. In this regard, Article 26 of the CFF provides that:

“The following are jointly and severally liable with taxpayers: I. Withholders and persons whom the law imposes the obligation to collect contributions from taxpayers, up to the amount of such contributions...” (Chamber of Deputies of the Honorable Congress of the Union, 2024)

Likewise, income tax withholding in the case of companies has an additional element that requires them to act with due diligence: if they wish to deduct payments made to workers, it is an essential requirement that such expenditures comply with the corresponding

withholdings and payments. Article 27 of the Income Tax Law establishes that payments for wages and salaries will only be deductible when the corresponding contributions have been withheld and paid (Chamber of Deputies of the Honorable Congress of the Union, 2024) .

Consequently, companies, whether individuals or legal entities acting as employers, not only comply with an administrative obligation when making withholdings, but also assume joint and several liability to the tax authorities, as established in Article 21 of the CFF (Chamber of Deputies of the Honorable Congress of the Union, 2024) . This regulatory framework establishes a system in which the withholding and payment of income tax for employees becomes an essential condition both for complying with tax provisions and for taking advantage of deduction benefits.

ANALYSIS OF THE REMUNERATION RECEIVED BY THE FACTORS OF PRODUCTION AND ITS FISCAL COST

The purpose of this section is to analyze the degree of tax pressure in terms of income tax (ISR) faced by the two main groups of taxpayers in Mexico: the wage and salary regime and the rest of taxpayers.

According to the (National Institute of

Taxpayers	Base reported by the SAT (A)	Income according to GDP (income method) in millions of pesos (B)	Average income per participant (B / A)	Adjusted taxpayer base	Income tax contribution (millions of pesos)	Average taxes contributed per participant	Average income tax % per participant
Wages and salaries	48,146,067	8,142,427	169,119.26	23,411,115	1,000,489.60	42,735.67	25.27
Rest of the taxpayer registry	13,635,827	13,263,051	972,662.02	13,263,051	1,273,350.40	96,007.35	9.87

Table 7. Comparison of remuneration and tax burden by type of taxpayer

Source: Prepared internally based on (National Institute of Statistics and Geography, 2018)

Statistics and Geography, 2018) , Gross Domestic Product (GDP) can be calculated using two approaches: the income method and the expenditure method. Both allow for the short-term measurement of the evolution of the country's main macroeconomic variables, which is useful for economic analysis, research, and public policy decision-making. In particular, measuring GDP using the income method provides a timely, comprehensive, and consistent view of the evolution of compensation for factors of production.

Based on this perspective, the following summary table integrates the income reported by the taxpayer registry and the associated fiscal cost:

Several relevant observations can be made from the above information. First, the average remuneration received by economic factors other than wage earners is 5.75 times higher than that received by the wage and salary regime (\$972,662.02 versus \$169,119.26). Second, the overall cost of contributions is 25.7% for the wage and salary regime and 9.87% for all other taxpayers, including large taxpayers.

It should be noted that, for the wages and salaries regime, the adjusted taxpayer base is reduced from 48,146,067 to 23,411,115 individuals. This adjustment is due to the fact that, within the total register identified by the SAT, not all those registered are subject to income tax, due to various legal provisions that establish exemptions or specific situations. This consideration allows for a more accurate approximation of the true impact of income tax on the taxation of salaried workers.

METHODOLOGY

This study was developed using a descriptive and documentary approach, complemented by a quantitative component based on official statistics. To this end, the main sources of information used were the Reports of the Tax Administration Service (SAT) for the

2022 fiscal year, in particular the Tax and Management Report, SAT open data on the register of active taxpayers, employment and labor income statistics published by the National Institute of Statistics and Geography (INEGI), as well as the international report Tax Statistics in Latin America and the Caribbean 2024 prepared by the OECD.

The analysis was carried out in three stages. In the first stage, a documentary review of the regulatory framework and background of the Mexican tax system was conducted. In the second stage, a statistical analysis of the share of the Wages and Salaries Regime in income tax collection was carried out by identifying its taxpayer base and the volume of revenue contributed. Finally, in the third stage, a mathematical interpolation was made based on the income levels reported by INEGI, in order to approximate the proportion of salaried taxpayers actually subject to income tax.

RESULTS

The results show structural asymmetries in the Mexican tax system with regard to income tax. While salaried workers constitute the broadest base in income tax, when compared with the remuneration of the different productive factors in the Mexican economy (remuneration of salaried workers

and gross operating surplus), we can see that employee remuneration receives only 14.81% of the remuneration and the other factors as a whole receive 85.18%; With regard to their share of income tax revenue, taxpayers in the wages and salaries regime contribute 44% of the tax in fiscal year 2022, and the other sectors contribute 56%.

Likewise, analysis of the structure of the taxpayer base under the wages and salaries regime suggests that just over 51% of those registered under the wages and salaries regime do not actually contribute income tax due to low income levels or legal exemptions. Therefore, the following assertions can be made:

- Of the total number of taxpayers who pay taxes under the wages and salaries regime, it is estimated that only 48.62% contribute to the Mexican government's income tax collection.

- From the analysis of the remuneration of the different factors of production (GDP based on income), it can be seen that the wage factor as average income per participant receives only slightly more than 14.81% of the total remuneration.

- The average income tax rate per participant is 25.27% for wages and salaries and 9.87% for other economic factors.

- Although it is true that the wages and salaries regime accounts for the largest tax base for income tax, after analyzing its composition, it can be considered that this regime is only 1.76 times larger than the rest of taxpayers.

- When the total remuneration of the different factors of production is divided, it can be seen that the average individual remuneration of the other factors of production is 5.75 times greater than the remuneration received by the wage-earning factor of production.

CONCLUSIONS

The Wages and Salaries Regime is the main source of income tax revenue in Mexico, contributing 44% of the total collected in 2022, which reflects the relevance of the withholding mechanism, which makes salaried workers captive taxpayers. When analyzing the level of revenue collection with the GDP structure based on income, we can see the great importance of the wage and salary regime for collecting the necessary revenue for the Mexican state.

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