



STARTS A BUSINESS AND PAYS TAXES

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Image. Nataliya Vaitkevich in Pexels, 2021.

This problem situation was written by Martha Nelly Garza Garza (nellygarza@tec.mx), and translated by Laura Elena Morales Garza of Global Words with the purpose of serving as discussion material in the classroom; it does not intend to illustrate good or bad administrative practices. The story on this document is based on different people's experiences; some data has been modified at the request of the people and institutions involved.

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The evolution

Mireya Montemayor, a 21-year old publicist *influencer*, started a business selling bags and accessories for women on April 2021. Due to the success in sales with her relatives in 2021, at the end of December 2021 Mireya is determined to have her operation grow in January of 2022, as she intends to do advertising campaigns and use her networks to position her products in the Monterrey market; she also believes that the quality and the price of her products will enable her to become a supplier of a national retail store chain, engaged in the sales of accessories for women, with 100 stores in the state of Nuevo León, and an extensive customer portfolio.

Image. Mireya's entrepreneurship aspires to become a national supplier of an important national retail store chain.



Source. Skitterphoto in Pexels, 2014.

Mireya's older brother, Julio Montemayor, has an established business in Mexico City engaged in the sales of wallets and accessories for men. He pays taxes individually as a natural person, but looking at his sister's plans, he proposes her to include her line of business and become partners to benefit from their connections.

It turns out that Mireya is not a taxpayer yet, and she needs to register at the **Tax Administration Service** (*Servicio de Administración Tributaria*, SAT), to obtain her RFC (Federal Taxpayer Registry), pay her taxes, and be ready for her business to grow and avoid financial sanctions. Nevertheless, she has seen information at the SAT social networks of different tax systems so she decides to weigh them up and make the best decision to optimize her resources.

Mireya hires a team of accountants from *Tecnológico de Monterrey*, asks them for consultancy and to prepare a document where she can see the different tax systems that she could have, as well as the tax liabilities that she should expect (without needing a partner), and, in a different case, a scheme of how she and her brother could pay taxes in a partnership.

Bookkeeping

The revenue and expenses she had in 2021 are summarized below:

REVENUE	MONTO (\$MXN) *
Income for sales of bags and accessories for women	800,000
EXPENSES	
Sales costs	350,000
Purchases of bags and accessories for women	200,000
Employee's salary	72,000
Office lease	90,000
Public services	27,000
Stationery and cleaning supplies	10,000
Clothes and accesories for personal use	90,000
Travel expenses, airplane ticket and lodging at the Riviera Maya for holidays	60,000
Health insurance	20,000
Advertising	50,000
Other deductible expenses	10,000

*1MXN=\$0.04915 USD. (X-rates.com, November 8, 2021).

Projection for 2022

The projection that is expected of the revenue and deductions for 2022 takes the following into account:

Revenue

- A 150 percent increase is expected in the sales of bags and accessories for women, considering the advertising that will be done in social networks.
- If the national chain becomes her client, an additional 150 thousand pesos (\$150,000 MXN) monthly income is expected.
- If she partners with her brother and they benefit from their contacts, the expected sales, adding up the goods of both, would be of three million pesos (\$3,000,000 MXN) per year.

Deductions

- For the operation of bags and accessories for women, the following is expected:
 - The proportion of purchases, and as the case may be, of sales costs, remains the same as in 2020.
 - For the purchases of the national chain, 40% of the income is contemplated.
 - For the purchases of wallets and accessories for men sales, a 35% of the income is contemplated.
- The expenses in stationery and cleaning supplies would increase 8 percent.
- Two more employees would be hired (there is one right now) with a monthly salary of eight thousand pesos each.
- The office lease and the cost of public services would increase 20 percent.
- The other deductible expenses would increase to an amount of 350 thousand pesos (\$350,000 MXN)
- There would be purchases of furniture worth 150 thousand pesos (\$150,000 MXN), and computer equipment worth 100 thousand pesos (\$100,000 MXN).

Assessment

Taking into account the projections for 2022, Mireya is requesting consultancy to reach a decision:

1. From an ethical perspective, why should Mireya already be registered into a specific tax system?
2. How do citizen taxpayers get affected by the fact that she is not paying taxes?
3. Considering the Ethics Code, which are the fundamental principles that a public accountant must meet? How can they be met, and how can they not be met?
4. Considering the Ethics Code aforementioned, which are the threats that accountants would face as part of the consultancy? Which could be a threat and how could it be solved?
5. How can she register before the RFC?
6. How is the password generated?
7. How is the electronic signature generated?
8. How many tax systems are proposed and how would each one be paid?
9. Which are the tax liabilities of each of the tax systems?
10. Which tax system is recommended for taxation and why?

References

X-rates.com. (8 de noviembre de 2021). <https://www.x-rates.com/calculator/?from=mxn&to=usd&amount=1>