

Tax Compliance: Pillar of Modern Business Administration.

Martín Iván Martín Puc*, Ileana del Socorro Vázquez Carrillo, Ligia María Bestard Alcántar

Facultad de Contaduría y Administración. Universidad Autónoma de Yucatán.

Calle 94 Número 550B entre 79A y 79B Col. Sambulá C.P. 97259, Mérida, Yucatán. México.

***Corresponding Author:** *Martín Iván Martín Puc, Facultad de Contaduría y Administración. Universidad Autónoma de Yucatán. Calle 94 Número 550B entre 79A y 79B Col. Sambulá C.P. 97259, Mérida, Yucatán. México*

Abstract: *Tax Compliance, understood as the set of measures aimed at reducing fiscal risks and ensuring the proper fulfillment of tax obligations, has become an essential component in modern business administration. This study explores the relevance of tax compliance, emphasizing its role in minimizing the risks of non-compliance and preventing criminal and administrative penalties. The situation in Mexico is analyzed, highlighting the inefficiency of the current system despite the resources allocated, and it is compared with internationally recommended practices. Furthermore, government strategies to promote a culture of tax compliance through education and effective communication are examined, along with the legal implications of tax evasion. Through a thorough review, it is argued that the implementation of compliance protocols is essential not only to ensure the legality of business operations but also to promote fair and equitable economic development.*

Keywords: *Compliance, Fiscal, Risks, Evasion.*

1. INTRODUCTION

Tax compliance refers to all those measures focused on reducing fiscal risks, which will help generate proper compliance through the establishment of policies and protocols for prevention, detection, management, and mitigation. In addition, it can be applied to all organizations regardless of their size, activity, or nature (Sierra, 2020).

Tax compliance is established as a protocol of action for the company that will allow it to integrate alerts for possible irregularities and, by adhering to it, becomes a mechanism to defend the legality and legitimacy of the operations carried out and their effects (Palomino, 2021).

Compliance, also known as regulatory compliance, is responsible for establishing processes and strategies to ensure that a company complies with the rules. When talking about rules, it not only refers to laws and regulations but also to the company's internal policies and codes of ethics (Thomson Reuters, 2017).

In principle, it should be established that there is currently no unique model for the control of fiscal risks, neither in Mexico nor in the world (Palomino, 2021).

The international trend is to integrate protocols based on the best practices and corporate social responsibility. Therefore, as a model of best practices, it is necessary to implement this protocol in our country. It is no longer possible to maintain long, costly, and unproductive audit processes for the determination of tax liabilities (Palomino, 2021).

In today's business world, tax compliance is a critical aspect that spans all financial and strategic operations of companies. The complexity of tax laws, the globalization of business, and technological advancements have created a constantly changing environment that requires continuous adaptation from the organizations (Fariña, 2023).

2. DEVELOPING

2.1. Importance of Compliance in Tax Administration.

Compliance is an anglicism aimed at the business sector and focuses on ensuring that companies adhere to their own internal rules and are not penalized for failing to comply with the applicable laws relevant to the business sector established by the entrepreneur (Solís, 2023).

However, in Mexico, it has not been efficient, despite the large resources allocated to it. Tax collection, measured as a percentage of Gross Domestic Product (GDP), is the lowest among the member countries of the Organization for Economic Cooperation and Development (OECD). In 2016, the Tax Administration achieved a collection equivalent to 13.54% of GDP. In 2017, it collected 13.05%, and in 2018, it remained at 13.08%, as suggested by the World Bank in 2019, cited by Ortega et al. (2021).

Tax compliance or fiscal compliance is a concept that can be implemented in any company, through which, by means of protocols and measures, it seeks to minimize the risks of tax non-compliance, as well as avoid the commission of crimes against the public treasury by the company of which they are part (Picó, 2023).

When responsible parties fail to fulfill these obligations, the legal system responds by establishing various effects. The most common are the application of sanctions, either administrative or criminal. However, the goal is not always to impose sanctions; other less extreme solutions can also be considered, such as exonerating, precautionary, incentivizing, or compensatory measures—most of them aimed at ensuring compliance with the obligation (Ortega, 2020).

2.2. Fostering a Tax Compliance Culture.

Governments are reaching out to taxpayers—both current and future—to provide training, communicate, and assist them, with the aim of promoting a "culture of tax compliance" based on rights and responsibilities, where citizens view paying taxes as an integral aspect of their relationship with the government (Organization for Economic Cooperation and Development, 2023).

Tax compliance is a critical issue in all countries around the world. Taxes are a vital source of income for governments, and failing to meet tax obligations can have serious consequences, both for individuals and for businesses. In recent years, many countries in Latin America have implemented measures to improve tax compliance and reduce tax evasion (Compliance Latam, 2023).

The UNE 19602 certification standard has more concrete and practical content than the Code of Good Tax Practices, as it contains guidelines for implementing an internal business system for compliance with tax obligations and provides mechanisms for detecting and correcting practices that carry a fiscal risk (Medina, 2022).

2.3. Tax Compliance and Civic-Tax Education

Every company runs the risk of facing a penalty due to non-compliance with a regulation, and this type of circumstance can involve different levels of sanctions (Docusing, 2021).

In the first place, it is essential to consider the appetite or tolerance to risk. It is worth reflecting on the level of risk the company is willing to face in a given situation, in order to then define the due diligence of third parties and structure training for its employees (Docusing, 2021).

The adoption of a 'system' or, if necessary, one or more 'compliance programs', is a task that any organization must seriously consider, regardless of its corporate purpose, size, geographic presence, or operational complexity. In many cases, it will be sufficient to ensure compliance with the minimum requirements in corporate, tax, and labor matters, as well as identify the main operational risks. For such purposes, a simple legal and accounting due diligence may be appropriate, from which various instruments, contracts, and proformas may eventually derive. These could include basic practices such as segregation of duties, double verification, payments through joint authorizations, among others, as well as the need to carry out various procedures, formalities, and registrations (Pampillo, 2021).

Civic-tax education is an extremely important tool to stimulate voluntary compliance and instill tax citizenship, which can ultimately result in an increase in tax collection and promote the achievement of sustainable development goals. These initiatives are considered part of an ongoing effort by authorities to positively influence taxpayers' perceptions (OECD, 2023).

2.4. Measures to Ensure Tax Compliance

Serious non-compliance with tax obligations can result in criminal charges, especially in cases of blatant tax evasion or tax fraud (Velázquez, 2024). The Tax Administration Service (SAT) in Mexico can use various methods to recover unpaid taxes. Among these methods are the seizure of assets and the blocking of bank accounts, thus preventing access to funds (Gordillo, 2024).

Tax evasion carries serious legal consequences that go beyond economic sanctions. Tax evaders may face prison sentences, lose their reputation, and suffer damage to their business. Additionally, tax evasion undermines trust in the tax system and negatively impacts society as a whole. It is essential for all taxpayers to fulfill their tax obligations to ensure fair and equitable economic development (Pérez, 2024).

3. CONCLUSIONS

In summary, the implementation of compliance programs in tax administration is essential to ensure that companies meet their tax obligations and avoid penalties for non-compliance. Despite the efforts and resources allocated, the efficiency of compliance in countries like Mexico still faces significant challenges, as reflected in the low tax collection compared to other OECD member countries. The adoption of internal protocols and measures enables companies to minimize risks and prevent tax crimes.

Furthermore, promoting a culture of tax compliance is crucial to improving the perception and behavior of taxpayers. Governments must continue providing training and effective communication to encourage tax citizenship, which can contribute to a fairer and more equitable economic development.

Ultimately, penalties for serious non-compliance with tax obligations, such as evasion and fraud, highlight the importance of a robust compliance system that includes sanctions and preventive measures. It is essential that all companies and citizens fulfill their tax duties to strengthen trust in the tax system and ensure efficient collection that supports the well-being of society as a whole.

REFERENCES

- Compliance Latam (2023) El estado del Compliance Tributario en América Latina y Estados Unidos. <https://compliancelatam.legal/compliance-latam-el-estado-del-compliance-tributario-en-america-latina-y-estados-unidos/>
- Docusing (2021). Gestión de riesgos en compliance y su importancia en los negocios. <https://www.docusign.com/es-mx/blog/gestion-de-riesgos-2>
- Fariña, D. (2023) Tendencias en materia de cumplimiento tributario. <https://www2.deloitte.com/py/es/pages/tax/articulos/tendencias-en-materia-de-cumplimiento-tributario.html>
- Gordillo, A. (2024). Cuáles son las multas del SAT por el incumplir con el SAT. <https://www.elcontribuyente.mx/2024/02/cuales-son-las-multas-del-sat-por-el-incumplir-con-el-sat/>
- Medina, M. (2022). Compliance fiscal: ¿sólo al alcance de unos pocos? <https://www.legaltoday.com/actualidad-juridica/mujeres-por-derecho/compliance-fiscal-solo-al-alcance-de-unos-pocos-2022-12-29/>
- Ortega C.; Susana P.; Nava R., Rosa M. (2021). Factores del control conductual percibido en personas físicas de México sobre el cumplimiento de obligaciones fiscales. El efecto de la educación superior. <https://biblat.unam.mx/hevila/ActualidadcontableFACES/2021/vol24/no43/6.pdf>
- Ortega, M. (2020). EL INCUMPLIMIENTO DE LAS OBLIGACIONES TRIBUTARIAS. <https://archivos.juridicas.unam.mx/www/bjv/libros/13/6278/10a.pdf>
- Organización para la Cooperación y el Desarrollo Económico OCDE (2023). Educación cívico-tributaria: una herramienta fundamental para aumentar el cumplimiento fiscal voluntario. <https://www.oecd.org/tax/fomentando-la-cultura-tributaria-el-cumplimiento-fiscal-y-la-ciudadania-17a3eabd-es.htm>
- Palomino, M. (2021) Compliance Tributario en México. <https://archivos.juridicas.unam.mx/www/bjv/libros/14/6566/13.pdf>
- Pampillo, J. (2021). Un Panorama General del Compliance, Nociones, Orígenes, Evolución E Implantación. Revista Lex Mercatoriaissn 2445-0936. <https://revistas.innovacionumh.es/index.php/lexmercatoria/article/view/1416/1478>
- Pérez, J. (2024). Consecuencias legales de la evasión fiscal: Lo que debes saber. <https://declaraguatoomisos.com/evasion-fiscal/consecuencias-legales-por-evasion-fiscal/>
- Sierra, C. (2020), Compliance Tributario en México. <https://www.studocu.com/es-mx/document/instituto-mexico-de-ciudad-juarez/derecho/compliance-tributario-tomsson-reuters/43817384>
- Solís, D. (2023). Importancia del Cumplimiento Normativo en México. Implementación del Compliance en las Empresas Mexicanas. <https://doi.org/10.58747/mlslip.v2i1.2200>
- Thomson Reuters (2017). Compliance tributario: Solución a favor del cumplimiento. fiscal. <https://www.thomsonreutersmexico.com/es-mx/soluciones-fiscales/blog-fiscal/compliance-tributario-solucion-a-favor-del-cumplimiento-fiscal>

Velázquez, S. (2024). SAT: Las consecuencias de no pagar impuestos. <https://www.informador.mx/economia/SAT-Estas-son-las-consecuencias-de-NO-PAGAR-impuestos-20240214-0135.html>

AUTHOR'S BIOGRAPHY

Martín Ivan Martín Puc, Full time professor in the Facultad de Contaduría y Administración, UADY. Independent Consultant PhD in Taxation Sciences, Instituto de Especialización para Ejecutivos. M.S. in Taxation, Instituto de Especialización para Ejecutivos. B.S. in Public Accounting, Universidad Autónoma de Yucatán (UADY). Facultad de Contaduría y Administración, Universidad Autónoma de Yucatán (UADY).

Ligia María Bestard Alcántar, Full time professor in the Facultad de Contaduría y Administración, UADY, Tizimin Multidisciplinary Unit. M.Ed, UNID. B.S. in Public Accounting: Universidad Autónoma de Yucatán (UADY).

Ileana del Socorro Vázquez Carrillo, Full-time Professor in the Facultad de Contaduría y Administración, UADY. Computer Systems Engineer from the Instituto Tecnológico de Mérida. Master's in Educational Innovation from the Universidad Autónoma de Yucatán.

Citation: *Martín Iván Martín Puc, et.al., "Tax Compliance: Pillar of Modern Business Administration " International Journal of Managerial Studies and Research (IJMSR), vol 12, no. 12, 2024, pp. 11-14. DOI: <https://doi.org/10.20431/2349-0349.1212002>.*

Copyright: © 2024 Authors. This is an open-access article distributed under the terms of the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited.