

ACTIVITIES OF THE PRIMARY SECTOR AND THEIR RELATIONSHIP TO THE INTEGRATION OF THE REGIME OF AGRICULTURAL, LIVESTOCK, FORESTRY AND FISHERIES ACTIVITIES (AGAPES)

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Abstract: The growth of the primary sector is considered one of the most dynamic and important in Mexico, it is the main source of natural resources and therefore the basis of society, the basis of various economic sectors, for which it is essential to seek its sustainability and development. The purpose of this work is to contribute to facilitating compliance with tax obligations to which AGAPES are subject, to analyze the various administrative facilities and tax benefits applicable to the sector.

A descriptive investigation is carried out in which qualitative aspects are analyzed, carrying out a detailed review of the legislation applicable to the regime, later an identification of the quantifiable amounts to which they can be subject as taxpayers under any applicable scheme of the primary sector is carried out. It must be noted that the possible ways of paying taxes under the AGAPES regime are shown; indicating the administrative facilities and tax benefits to which one may be subject, such provisions favor compliance with tax obligations.

Keywords: AGAPES, tax benefits, contributions, primary sector.

INTRODUCTION

According to the Ministry of Agriculture and Rural Development (SADER), the primary sector is one of the most dynamic in the country, representing close to 10% of GDP. The great biodiversity of Mexico is the cause of this level of productivity, since approximately 13% of the national territory -around 145 million hectares- is used as agricultural land, harvesting close to 200 products in different seasons and seasons. (SADER, 2019)

SADER, together with the Organization for Economic Cooperation and Development (OECD) and the Food and Agriculture Organization of the United Nations (FAO), foresee that in the coming years the production of vegetables, corn, wheat

and beans will sustained growth due to increased agricultural yields. By anticipating these changes, it also represents an advance in economic management in its different segments of the population, however, the evolution has been uneven and, additionally, part of the community of producers in the primary sector only direct their concern to obtaining seasonal earnings, without taking into account the supports, facilities and regulations in force (García, 2011). (Agrarian, 2018)

The primary sector is the set of activities that people carry out to obtain resources from nature, these activities are a basic source for the survival of society by acquiring food and resources that facilitate and improve the quality of life. According to the Federal Tax Code (CFF), in Article 16, the activities of the primary sector are included within business activities (commercial, industrial, agricultural, livestock, fishing, forestry). (Social, 2021)

In this sense, the research project focuses especially on the field of economic management of the primary sector, which are livestock activities, breeding and fattening of cattle, poultry and animals, as far as agricultural activities are understood, planting, cultivation, harvest and the first alienation of the products obtained that have not undergone industrial transformation; In both cases, those in charge of the AGAPES do not manage a correct control of their administration and accounting, the importance of the fiscal documents, the payment periods, the deductibility requirements and the administrative and fiscal facilities to which they have scope is not conceived.

To a great extent, technology is a barrier for AGAPES administrators, many are unaware of the forms of taxation, the rates that are applied to determine their tax, the income and deductions that can be applied

to them, however, technology is a tool that has become strictly indispensable in different commercial and productive sectors, more now with the arrival of the pandemic, induces the educational sector to promote learning and development mechanisms in human capital. For AGAPES, I generate taxation mechanisms with accessible periods and above all with the greatest administrative and bureaucratic ease.

METHODOLOGY

The present investigation is of a documentary, descriptive type to determine the fundamental characteristics of the AGAPES in the formation of companies according to an administrative-accounting structure. The documentary investigation is carried out within the current tax framework and in accordance with the regulations applicable to the Regime of Agricultural, Livestock, Forestry and Fisheries Activities (AGAPES), both for individuals and legal entities that may be part of it. The description specifies the fiscal provisions to which the AGAPES are subject, determining an analysis where the administrative facilities that can be accessed are measured and evaluated according to the requirements and amounts that must be met; then the resulting observations were integrated in order to adequately define how the tax requirements must be covered and the way to access the tax and administrative facilities. (Public, 2021)

Therefore, the non-experimental design focuses on the observation of the AGAPES as specified by the laws or tax regulations, the variables were reviewed, described and interpreted according to the information obtained.

The methodology used for the development of the guide in the formation of the AGAPES Regime is based on the analysis of the predominant primary sector activities in the region, their identification, description and

orientation.

INVESTIGATION INSTRUMENTS

The review of the applicable tax regulations was included in relation to the Regime of Agricultural, Livestock, Forestry and Fishing Activities (AGAPES), Federal Tax Code (CFF), Income Tax Law (LISR), Value Tax Law Aggregate (LIVA), General Law of Mercantile Companies (LGSM), Agrarian Law, Regulations of the CFF of LISR and LIVA, as well as the various miscellaneous and tax updates applicable from the tax reform 2014 to 2021. (federation, 2021)

In the same way, a review of specialized magazines on fiscal matters of primary activities was carried out, a detailed consultation of the online databases that were provided by official institutions, such as the Ministry of Finance and Public Credit (SHCP), the Ministry of Agriculture and Rural Development (SADER), Organization for Economic Cooperation and Development (OECD) and the Center for Economic and Budget Research (CIEP). (Mercantile, 2021)

DATA COLLECTION

The economic information available from January 2021 to date was collected, the documentary information was organized and classified, it was determined that the structure of the possible options and feasible tax schemes applicable to individuals and legal entities, taking into account the regulations applicable in the formation of commercial companies or in the formation of associations or companies with specific purposes in such a way that those who must comply with their tax obligations in terms of income tax in accordance with the regime established in the Income Tax Law (LISR), are **the following contributors:**

- Moral persons of agrarian law dedicated exclusively to agricultural,




	Quarterly rate	Annual rate	Weight in national GDP
Total GDP	1.5%	19.5%	
Primary activities 	0.8%	6.8%	3.5%
Secondary activities 	0.3%	27.9%	29.6%
Tertiary activities 	2.0%	16.9%	66.9%

Figure 1. Economic growth of primary activities to the 2nd quarter of 2021 Gross Domestic Product, taken from the data generated in Made by Mexico, How Are We Going? With data from INEGI.

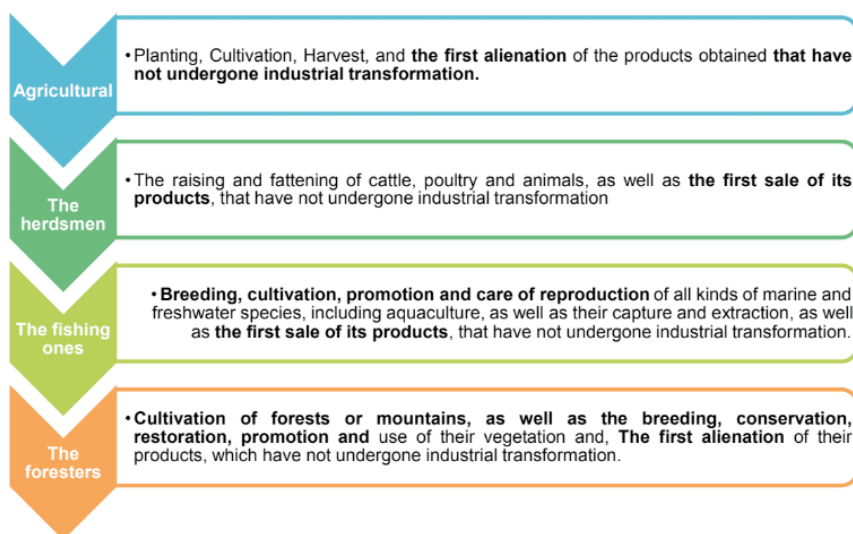


Figure 2. Identification of the AGAPES Regime

Own preparation in accordance with the applicable regulations of Art. 16 of the CFF.

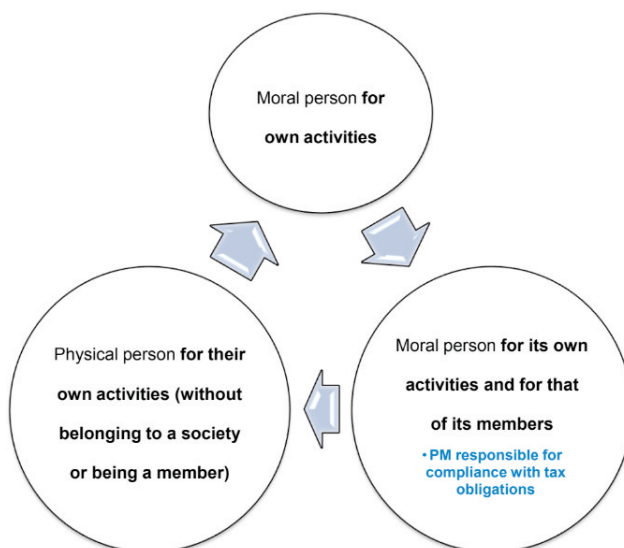


Figure 3. How they can pay taxes under the AGAPES Regime scheme

Source: Own elaboration in accordance with the Income Tax Law (LISR), Federal Tax Code (CFF)

livestock or forestry activities.

- Cooperative production companies and other legal entities, dedicated exclusively to these agricultural, livestock or forestry activities.
- Moral persons exclusively engaged in fishing activities.
- Cooperative production societies that are dedicated exclusively to fishing activities.
- Natural persons who are dedicated exclusively to agricultural, livestock, forestry or fishing activities.

The way in which they can pay taxes under this regime according to their name or denomination (individual or legal entity) is as shown in figure 3:

RESULTS AND DISCUSION

Derived from the identification and description, the following analysis of the benefits applicable to the formation of an AGAPES regime is integrated, referring to the income exemptions that can be applied according to the legal-fiscal personality for which tax is paid under the activities related to the identified regime.

ADMINISTRATIVE FACILITIES OF THE AGAPES REGIME

For the purposes of the Income Tax Law, taxpayers dedicated exclusively to agricultural, forestry, livestock or fishing activities, who comply with their tax obligations under the terms of article 74 of the Income Tax Law, may deduct the sum of the disbursements that made for the labor of temporary field workers, livestock feeding and minor expenses, up to 10 percent of their total own income, without exceeding \$800,000.00 (eight hundred thousand 00/100 M.N. pesos) during the fiscal year, provided that they comply, at least, with

the following:

- I. That the expense has been effectively disbursed in the fiscal year in question and is linked to the activity.
- II. That it has been recorded in its accounting by concept and cumulatively during the fiscal year.
- III. That the expenses are verified with documentation that contains at least the following information:
 - a. Name, denomination or company name and address, of the seller of the goods, of the service provider or of the temporary farm worker.
 - b. Place and date of issue.
 - c. Quantity and type of merchandise, description of the service or type of temporary work.
 - d. Unit value consigned in number and total amount consigned in number or letter. (Electronic, 2016)

EASE IN THE PERIODICITY OF PROVISIONAL PAYMENTS OF ISR AND VAT

Individuals and legal entities that present ISR and VAT payments for the determined fiscal year may choose to make provisional payments according to the following schemes:

- ISR - Monthly, in terms of article 14 of the ISR Law and 106 of the Income Tax Law
- ISR - Semi-annual in terms of Rule 1.3. Resolution of Administrative Facilities 2021
- VAT - Monthly in terms of the 5-D of the VAT Law
- VAT - Semiannual in terms of Rule 1.3. Resolution of Administrative Facilities 2021

SUBJECT	EXEMPTION PER MEMBER	STOP	INCOME EXEMPTION IS EXTENDED	ISR FOR THE SURPLUS	AFTER 423 VSMGA	CONDITION
Moral person	20 VSMGA	200 VSMGA, does not apply to common lands and communities	NOT OVER 423 VSMGA	30% reduction in ISR, from 201 to 423 VSMGA	RMF RULE 3.8.1 for reduction	Dedicate exclusively to Agriculture, Livestock, forestry or fishing
	(\$32,693.40 x 20 =)	(32,693.40 x 200 =)	(32,693.40 x 423 =)	They pay ISR and enjoy tax reduction	Onwards	
	\$ 653,868.00	\$6,538,680.00	13,829,308.20	\$7,290,628.20		
Physical persons	40 VSMGA	40 VSMGA	NOT OVER 423 VSMGA	40% reduction in ISR, from 41 to 423 VSMGA	RMF RULE 3.8.3 for reduction	Dedicate exclusively to Agriculture, Livestock, forestry or fishing
	(32,693.40 x 40=)	(32,693.40 x 40 =)	(32,693.40 x 423 =)	They pay ISR and enjoy tax reduction	Onwards	
	\$1,307,736.00	\$1,307,736.00	\$13,829,308.20	\$12,521,572.20		
Producer companies or associations	20 VSMGA	200 VSMGA, does not apply to common lands and communities	NOT OVER 423 VSMGA	30% reduction in ISR, from 201 to 423 VSMGA	RMF RULE 3.8.2 for reduction	Dedicate yourself exclusively to Agricultural, Livestock, forestry or fishing; Be constituted Exclusively by people Physical, income per partner Greater than 20 vsmga and less From 423 vsmga; total income of the Society, no more than 4230 Vsmga
	(32,693.40 x 20=)	(32,693.40 x 200=)	(32,693.40 x 423=)	They pay ISR and enjoy tax reduction	Onwards	
	\$653,868.00	\$6,538,680.00	\$13,829,308.20	\$7,290,628.20		
Ejidos and communities	20 VSMGA	N/A	N/A	N/A	N/A	N/A
	(32,693.40 x 20 =)	Onwards				
	\$ 653,868.00					
				APPLICABLE ANNUAL AMU		\$ 32,693,40

Table 1.- Determination of Exemption Amounts for the Regime of Agricultural, Livestock, Forestry and Fishing Activities (AGAPES)

The applicable nomenclatures for interpretation are: UMA = Unit of Measurement and Update

VSMGA = Times the general minimum wage raised per year, RMF = Miscellaneous Fiscal Resolution

- ISR withholdings - In the same terms of ISR, semi-annual or monthly
- VAT withholdings - In the same terms of own VAT, semi-annual or monthly (Unión, 2021)

For the complete distribution, the individuals or legal entities analyzed in accordance with current tax regulations and laws must have their exclusive income from said activities (AGAPES) or otherwise; they may apply that said income represents at least 25% of their total income in the year and that in addition their total income in the year does not exceed 8 times the general minimum wage raised per year, they will not pay income tax on income from of the aforementioned activities up to an amount, in the exercise, of 1 general minimum wage raised per year.

CONCLUSIONS

In 2014, various modifications and reforms to the Income Tax Law came into force. For this sector of taxpayers called AGAPES, it was not optional to be subject to a tax regime as

had been the case until 2013, since all these taxpayers, whether natural or legal persons, are taxed since 2014 in accordance with the expressly established in Chapter VIII of Title II of the law and take advantage of the benefits contained in the tax resolutions and modifications.

The tax regime for taxpayers engaged in agricultural, livestock, fishing, and forestry activities will be promoted in the region by applying the tax benefits that said regime establishes, the required administrative functions, and in general the benefits require that interested parties (producers, businessmen, employees, among others.); have sufficient elements to take full advantage of the benefits established in the current tax provisions.

The present work responds to the need to improve the management in the companies of the primary sector, likewise, it will influence the formality of the activities and the legalization of operations to facilitate access to government support programs or private financing in small producers of the region.

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