

Expanded abstract

Incentives and tax and labor risks of Workers' Cooperatives in Mexico

Objectives

The purpose of this paper is to analyze the tax incentives and public financing for the promotion of Workers' Cooperatives in Mexico, as well as the participation of cooperatives in activities that may represent violations of tax and labor laws of Mexico. In the history of cooperativism in Mexico, two stages can be distinguished in which the State promoted the creation and growth of cooperative societies. In the first, the legal bases were laid to provide cooperatives with legal personality and establish incentives and programs to promote cooperative action. In the second, established within the framework of the economic processes of structural reforms, the Mexican State withdrew incentives and public financing for cooperatives.

The study is a mixed concurrent research, a combination of qualitative and quantitative research, this means that the collection, processing and analysis of the data is carried out at the same time. The mixed design is due to the limited availability of official information on economic, financial, labor and fiscal of cooperative societies in Mexico; it is a pragmatic decision rather than an epistemological view of scientific knowledge. The mixed methodology does not intend to confront the results of the quantitative and qualitative research, but rather to offer negotiated conclusions of the results obtained in each approach. Specifically, quantitative research is based on the hypothetical-deductive method and qualitative research on grounded theory and hermeneutical triangulation.

In the quantitative part, it is hypothesized that the fiscal reforms implemented by the federal government as of fiscal year 2014 discouraged the creation and permanence of cooperative societies in the market, to contrast this assumption, inferential statistics techniques are used with the purpose of identifying the structural changes in the time series that allow to explain the alterations of the trends. The technique used is called CUSUMSQ (cumulative sum squared), considers the period from 2010 to 2020 and comprises two-time series.

Regarding the qualitative research, the techniques of grounded theory and hermeneutic triangulation were applied, the combined process of both methods consisted of the definition of fragments, the creation of subcategories and categories, and the contrast with the theoretical framework. In this case, the investigation corresponds to the period from 2015 to 2019.

In Mexico there is no public institution that is responsible for the registration, control and promotion of the cooperatives, the available information is contradictory in some issues and partial in its depth. For this reason, the consultation of the official electronic pages of the national government agencies and the body that provides public information to citizens is used.

The findings of the quantitative research show that the main tax incentive applicable to cooperatives in Mexico is the deferral of income tax payment. Before the 2014 tax reform, cooperatives paid the tax until the taxable profit was distributed, which implied an indefinite deferral. After the reform, the term to a period not exceeding two years even if the profit generated by the cooperative company had not been distributed, that is, the maximum term for not paying the tax caused on profits cannot exceed two years. The monetary surpluses derived from the profit of the exercise can be used for the self-financing of the cooperative, as long as they are destined to the acquisition of necessary resources for the operation of the society.

The change in tax policy generated in recent years significates decrease in the annual rate of incorporation to the cooperative societies regime, before the tax reform of 2014 the incorporation rate grew at the rate of 13.3% per year, after the reform growth slowed down to 3.4% annually, this means a decrease in the creation of cooperatives in the country generated by the disappearance of the indefinite deferral of income tax payment. The implementation of the two-year grace period to pay the tax had a negative impact on the promotion of cooperatives.

Eight years after the constitutional amendment of article 25 that conceives the mixed economy model in Mexico, the Program and Fund for the Support of Solidarity Companies was created in 1991 and in 2012 the Social and Solidarity Economy Law was enacted. In the research horizon of 20 years is observed that in the first four years of this period, the economic support granted for the development and promotion of cooperative societies was greater than 500 million pesos per year at current prices, as of the fiscal year. Since 2014, financing for production cooperatives was gradually reduced, even in 2020, due to the COVID-19 pandemic, there was no budget to finance social economy companies. The growth rate of public financing allocated to cooperatives during the years from 2010 to 2013 grew at a rate of 12.4% per year at constant prices, while in the cycle from 2014 to 2020 public financing decreased at a rate of -43.4%.

The two-time series on the number of recently created cooperatives and public financing were subjected to the CUSUM test; in both cases, the residual curves show a turning point in the year 2014, which coincides with the year in which the federal government tightened its fiscal policy against production cooperatives.

The results of the qualitative research show that 0.16% of cooperatives are not located in the total number of taxpayers grouped in this situation, by coincidence most of the cooperatives were domiciled in the Yucatan Peninsula; 0.05% of the group of taxpayers who have not guaranteed their tax credits are cooperatives; 0.22% of all taxpayers who committed tax crimes are cooperatives; and the highest amount collected from the cooperatives by the tax agency for the collection of omitted taxes was an average of 302 pesos at current prices in the years of 2015 and 2018. In labor matters, the number of cooperatives that simulate subcontracting is reduced under this form of commercial company.

In conclusion, there is no empirical evidence to ensure that cooperative organizations constitute a risk factor for federal public finances and the job stability of workers. However, the lack of public information on the operation of cooperatives limits the depth and quality of research in this field and definitive results cannot be achieved. For this reason, public policies are required that favor the creation and development of cooperatives without omitting the implementation of regulations that prevent the abuse of the figure of the cooperative organization.