

TAX REFORMS IN ECUADOR, A VISION OF THE LAST DECADE

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Abstract

Since Roman times there have been taxes; humanity, the ruling classes, and/or governmental structures have used taxation as a source of income. Worldwide, taxes have always been a source of state income to make the social and economic development of the country viable. The State finances the activities of the Public Sector and this is supported by the collection of fiscal revenues, called taxes, rights, products, and uses. Through a bibliographic review and an analysis of the collection data from historical official sources, a comparison of the tax reforms of Ecuador is made to establish a relationship and analysis of tax concentration, as well as analyze the impact on the collection of the Income Tax of natural persons, with a vision of its behavior in the last decade and the relationship with the gross domestic product of the country, concluding that there is a variable behavior of the collection of Income Tax, evidencing a direct relationship with the level of production and the political environment of the country typical of a progressive tax.

Keywords: Taxes, Income Tax, tax culture, tax reforms

INTRODUCTION

In Ecuador, the Internal Revenue Service was created in 1997, which has built a tax culture that has allowed the country to have a systemic collection that contributes steadily to the State budget. (Yugcha De La Cruz, 2020) (Mayorga-Morales, Campos-Llerena, Arguello-Guadalupe, & Villacis-Uvidia, 2020)

Ecuador uses fiscal policy as a tool to mitigate the impacts of inequality and poverty; however, it is not yet at the expected level. Thus, the State requires financing to fulfill its development plans and the collection of taxes is the most used source of income, including as a means of redistributing wealth. (León, 2022)

Article 300 of the Constitution of the Republic of Ecuador mentions that: "*The tax regime shall be governed by the principles of generality, progressivity, efficiency, administrative simplicity, non-retroactivity, equity, transparency and sufficiency in tax collection. Direct and progressive taxes will be prioritized*". (Asamblea Constituyente, 2008)

For its part, Article 6 of the Tax Code of the Ecuadorian State indicates: "*... Taxes, in addition to being means to collect public revenue, will serve as an instrument of general economic policy, stimulating investment, reinvestment, savings and their destination towards productive*

purposes and national development; meet the requirements of social stability and progress and seek a better distribution of national income.". (Asamblea Nacional, 2005)

This article aims to analyze Ecuador's tax reforms and the impact on the collection of income tax from individuals in the last decade.

METHODOLOGY

The methodology used is qualitative due to the general parameterization of the object of study, in this case of taxes and fiscal policy; and, quantitative because mathematical calculations are presented with analytical and comparative tables of the annual figures of taxes collected by the Ecuadorian State for the period 2013 to 2022, specifically analyzing the behavior of the collection of Income Tax of natural persons and its relationship with GDP.

Additionally, the methodology regarding the Tax Impact of the reforms (Table 2) is mostly quantitative concerning tax collection; so the tax impact has been classified as low, medium, and high.

It is bibliographic when searching for information from different authors and official sources related to the subject to be treated; for this, keywords such as taxes, income tax, collection, and tax culture, in search engines are defined, prioritizing the tax information of the last decade in books, indexed journals and research of Higher Education Institutions.

CONTEXTUALIZATION

Taxes represent the most important fiscal resources and can tax income, wealth, or property (direct taxation) or tax consumption (indirect taxation), in the same way that through taxes the allocation of population income can be influenced. (CEPAL, 2022)(Concepto, 2023).

Taxes are coercive, and with this, the state intends to establish an equitable economic and social society through the principle of contributory capacity. (Armijos, 2022)

In addition, the State, through taxes, can implement norms of market regulation and protection of certain products, as well as guide social, and commercial behaviors, including health habits and quality of life.

a) Elements and classification of the tax

The tax has elements such as the **taxable event, taxpayer, tax base, tax rate; and, tax quota; so they are also classified into:**

Characteristics	Denomination	Example
According to your lien rate	Proportional or flat taxes, Progressive taxation, Regressive taxes (Martínez, Queralt & López, 2022)	Value Added Tax Corporate income tax Transfer tax
According to its taxable event	Direct taxes Indirect taxes (Victor, Giuseppe & di vimercate Paolo, 2022)	* The ability to contribute is inferred from the personal characteristics of the taxpayer

		* do not tax manifestations of the taxpayer's wealth or ability to pay
According to your considerations concerning the taxable person	Target taxes Subjective taxes (Tovillas, 2022)	Value Added Tax Income Tax
According to its temporality	Instant taxes Periodic taxes (Alabern, 2022)	Tax on the purchase of a property or receiving a donation from another person

Own elaboration

Thus, in Ecuador, to mention, some:

- Value Added Tax (VAT)
- Foreign Exchange Outflow Tax (ISD)
- Excise tax (ICE)
- Motor vehicle tax
- Rural land tax
- Income tax from inheritances, legacies, and donations
- Income Tax

The latter is perhaps the most important of any tax system, and is imposed on the profits and profits of natural and legal persons; either in a flat, progressive, or regressive way. It generally has a taxable minimum that prevents people who earn less money in society from being charged.

Direct taxes are used as a resource of fiscal policy to establish the long-sought equity and distribution of a country's wealth. The Income Tax constitutes the core of direct taxes, in addition to the inheritance tax, the wealth tax, and the motor vehicle tax. (Lozano & Bermúdez, 2022)

b) Tax Culture

The first legal bodies in tax matters are evident in Egypt, China, and Mesopotamia, in the Middle Ages in Europe; the tribute was made with work or with species, until establishing what is currently known as the tax system or tax collection system; using a specific regulation, the state fixes, collects and administers the taxes.

It can be defined as tax culture, the attitude of citizens toward the payment of taxes, and that is considered mandatory by law (Yugcha De La Cruz, 2020).

A review of the main tax reforms in Central and South American countries shows their focus on consumption taxes, income, foreign trade, and efforts in tax administration models.

However, it is also evident that tax systems have a low tax burden, of a regressive nature and additionally, there is a deficient distribution of public spending. Specifically Ecuador, it is known for more than 51 reforms to the laws that directly influence tax issues, which have tried to seek the financial balance of the State. (Yugcha De La Cruz, 2020).

In Ecuador, there is the Organic Law of the Internal Tax Regime, which defines taxes as "(Asamblea Nacional, 2018) *public revenues, created by law, based on the people's ability to contribute and aimed at giving resources to the State to provide public services that meet collective needs*". They are divided into: rate and tax, with this, the state provides goods and services to citizens such as education, health, and roads, among others. (Alvear, Elizalde, & Salazar, 2018)

In the last decade, Ecuador has established a series of tax reforms to achieve maturity of the tax system with a view to effective collection, evidencing high evasion on the one hand and excessive and harassing control on the other. This has also caused a transformation of substance and form in legal bodies and technological platforms. (Urrutia & Yanca, 2021)

RESULTS

a) Ecuadorian Tax Reforms

Tax changes or tax reforms are implemented to try to improve collection. Laffer (2004) explains, through the Laffer Curve, that these reforms reflect two considerations in collection, economic and arithmetic, where a relationship is defined between rates, production, and voluntary or forced collection. (Casparri, 2013) (Plua-Parrales, 2019)

The following are the most important tax reforms in Ecuador.

Table 1.- Tax reforms in Ecuador – Before the study

Year	Tribute / Law	Feature
1830 - 1859	Indigenous contribution	Any person identified as indigenous by the colonizers had to pay tribute
1837- 1927	General contribution	Collect taxes from public employees, capital in turn, and to whom loans were granted, therefore, this process was consecrated as a preamble to the Income Tax codified in the Income Tax Law in 1928
1912	Reform	Inheritance taxes
1913	Reform	Tax on bequests and trusts
1923	Commercial and Industrial Sales Tax Law	Implementation of VAT
1926	IR went into effect	Replaced several small taxes
1941	IR Reform	A renewed IR emerges, in which its foundation is tax collection as a source of state revenue. In that year, the income originated by natural persons and by companies

		was divided, in which the formation of the capital was considered.
1996-2006	Period of Instability	Seven presidents, a short-lived dictatorship, and three ousted presidents
2007	Reform of the Internal Tax Regime Law	The destination of the product of the excise tax. The use and distribution of the excise tax on telecommunications and radio-electronic services
2010	Organic Code of Production, Trade and Investment	It establishes fiscal incentives for productive development. The form of expression of tariff rates and the technical modalities of tariffs. General mechanisms for export promotion. The customs tax obligation (taxes on foreign trade, its tax base, enforceability, etc.) and the competence of customs in terms of collection.
2010	Reformed the Hydrocarbons Law and the Internal Tax Regime Law	In these reforms, they determined that state revenues would increase, while the profits of oil companies would decrease through the increase in profit sharing. Additionally, a rate of 25% Income Tax is established. In the same way, it is established that exploration companies are subject to 25% of the Tax on the tax base. Quispe, Arellano, Rodríguez and Vélez (2.019). (Plua-Parrales, 2019)
2011	Law on Environmental Development and Optimization of State Revenues	The environmental tax on vehicular pollution. The modification of the Value Added Tax (VAT) and Special Consumption Tax (ICE) of hybrid vehicles. The change of the ICE calculation formula to cigarettes and alcoholic beverages. The environmental tax on non-returnable plastic bottles is levied on the bottling of alcoholic, non-alcoholic, carbonated, and non-carbonated beverages and water in non-returnable plastic bottles, as well as their importation. The increase of the untaxed base of 70 hectares to those rural lands in conditions similar to the Amazon. The increase of the Foreign Exchange Exit Tax (ISD) from 2% to 5%.
2011	Referendum on gambling	Elimination of gambling, reduction of VAT and ICE, and environmental tax (Plua-Parrales, 2019)

Table 2.- Tax reforms in Ecuador – Study period

Year	Tribute / Law	Feature	Tax Impact
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			High – Medium – Low								
2007	Reform Law for Tax Equity of Ecuador (R.O. 242-3S, 29-XII-2007)	The reform of several articles of the Tax Code and the Law of Internal Tax Regime. Tax on the Exit of Foreign Currency The Rural Land Tax The Extraordinary Income Tax. The transfer pricing regime and the Ecuadorian Simplified Tax Regime (RISE).	MIDDLE <table border="1"> <thead> <tr> <th>YEAR</th> <th>Thousands</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>0.00</td> </tr> <tr> <td>2008</td> <td>31,409</td> </tr> <tr> <td>2009</td> <td>188,287</td> </tr> </tbody> </table> Collection Imp. The outflow of Foreign Exchange	YEAR	Thousands	2007	0.00	2008	31,409	2009	188,287
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2007	0.00										
2008	31,409										
2009	188,287										
2008	Organic Law Reforming and Interpreting the Law on the Internal Tax Regime (R.O. 392, 30-VII-2008)	Reduction of the percentage that considers a disabled person for tax exemptions and deductions. The deductible of higher education expenses. The zero VAT rate on imports for commercial passenger transport. The deductible of interest and financial costs of external credits and payments for the international commercial lease of income tax. The commutation of interest for late payments, fines, and surcharges.	MIDDLE Disability goes from 40% to 30%, benefit								
2009	Law Amending the Law of Internal Tax Regime and the Reform Law for Tax Equity of Ecuador (R.O. 94-1S, December 23, 2009)	To levy income tax on dividends and profits of companies domiciled in tax havens or resident individuals. The conditions for the reduction of the Income Tax rate and the exemption from its payment. A single way of calculating and determining the advance of Income Tax, and the conditions for its refund.	HIGH Reform came into effect in 2010, the changes took effect from 2011 and improved the Imp. Rta. by 50.29% compared to 2010.								
2012	Organic Law on the Redistribution of Revenues for Public Expenditure (Law s/n)	Subsidy increase in the Human Development Bond (Plua-Parrales, 2019) Elimination of the 10 percentage point reduction in income tax for banks.	MIDDLE Reforms came into effect in 2013, which is represented in the USD budget. 1,020 million for								

		<ul style="list-style-type: none"> • Change in the formula for calculating the advance of the Income Tax of banks and financial companies. • The 12% VAT rate for financial services. • The possibility of requesting the return. 	1,901,088 beneficiaries												
2013	Organic Law Reforming the Mining Law, the Reform Law for Tax Equity in Ecuador, and the Organic Law of Internal Tax Regime. (R.O. 37-2S, 16-VII-2013)	Extraordinary income. (Plua-Parrales, 2019)													
2014	Organic Law for the Promotion and Optimization of the Corporate and Stock Exchange Sector (R.O. 249, May 20, 2014) Organic Law on Incentives for Production and Prevention of Tax Fraud. (R.O. 405, December 29, 2014)	Exemptions and incentives for investments of more than one year. Rules against tax evasion, tax havens, and other related	<p>MIDDLE</p> <table border="1"> <thead> <tr> <th>YEAR</th> <th>% TAX RTA</th> <th>↑↓</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>-3.87%</td> <td></td> </tr> <tr> <td>2015</td> <td>-4.56%</td> <td></td> </tr> <tr> <td>2014</td> <td>10.32%</td> <td></td> </tr> </tbody> </table> <p>Collection Imp. Business income falls from 25% to 22%</p>	YEAR	% TAX RTA	↑↓	2016	-3.87%		2015	-4.56%		2014	10.32%	
YEAR	% TAX RTA	↑↓													
2016	-3.87%														
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2015	Law on Remission of Interest, Fines and Surcharges. (R.O. 493, May 5, 2015)	Policies for the forgiveness of interest, fines, and surcharges derived from tax burdens (Plua-Parrales, 2019)	<p>LOW</p> <p>Total debt = USD. 6,282.15 MM</p> <p>Nro. of taxpayers = 209,778</p> <p>Collection: USD. 959,414,700.00</p>												

	Organic Law on Incentives for Public-Private Partnerships and Foreign Investment (R.O. 652, December 18, 2015)	Regulations to boost private investment in public projects (Plua-Parrales, 2019)										
2016	Law for the Balance of Public Finances (R.O. 744, September 29, 2016)	Reduction of the Imp. Rent for microenterprises Reduction of the advance of the Imp. Income Increase in the Special Consumption Tax (ICE): sugary drinks, soft drinks, beers. ICE for telephony. Incentive for the use of electronic money and credit and debit cards.	MIDDLE Benefit to more than 66 thousand microenterprises Reduction in collection compared to 2015 by 4.78%									
2016	Law of Solidarity and Citizen Co-responsibility for the Effects of the Earthquake in Ecuador (R.O. 759, May 20, 2016)	Increase the Value Added Tax (VAT) by two points, for a maximum period of one year; with exceptions. Contribution of 1 day's salary	HIGH (Of the amount allocated for reconstruction, 55% was for the collection of solidarity contribution USD. 1,633 million)									
2017	Organic Law for the Reactivation of the Economy, Strengthening of Dollarization, and Modernization of Financial Management (R.O. 150, December 29, 2017)	More tax benefits for those who generate more employment or support need	HIGH Tax Benefits to Microentrepreneurs , Impact in millions USD. -77, No. 183,000 beneficiaries									
2018	Reforms of the Internal Tax Regime Law (R.O. 309, 21-VIII-2018)	Reforms to the payment of Income Tax for natural, legal, inheritance, individual and hereditary persons	LOW <table border="1"> <thead> <tr> <th>YEAR</th> <th>%</th> <th>↑↓</th> </tr> </thead> <tbody> <tr> <td></td> <td>IMP. RTA</td> <td></td> </tr> <tr> <td>2019</td> <td>30.35%</td> <td></td> </tr> </tbody> </table>	YEAR	%	↑↓		IMP. RTA		2019	30.35%	
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			2018	-6.50%
			2017	6.36%
			Collection Imp. Rent data without withholdings/advan ces	
2019	Organic Law on Tax Simplification and Progressivity (R.O. 111, 31-XII-2019)	12% VAT rates for digital services, ICE reforms, VAT Changes to the withholding agent regime Elimination of the advance of the Income Tax	ALTO	
			YEAR	% ↑↓ IVA/IC E
			2021	14.35%
			2020	- 15.65%
			2019	2.61%
			VAT/ICE collection	
2020	Organic Law on Humanitarian Support to combat the Health crisis derived from Covid-19 (R.O. 229, 22-VI-2020)	IR taxpayers may make voluntary advances to the tax authorities. IR reforms (domestic tourism expenses are considered personal expenses)	LOW	
			YEAR	% ↑↓ IMP. RTA
			2021	-7.76%
			2020	- 21.32%
			2019	14.87%
			Collection Imp. Income for natural persons	
2020	Regulation of the Organic Law of Tax Simplification and Progressivity (R.O. 260, 04-VIII-2020)	Reforms to the IR to microenterprises	MIDDLE	
			YEAR	% ↑↓ IMP. RTA
			2021	- 34.60%
			2020	- 12.46%
			2019	30.35%
			Collection Imp. Rent data without withholdings/advan ces	
2021	Organic Law on Economic Development and Fiscal Sustainability	The new law establishes that those with incomes of more than USD 2,000 per month, must pay more	HIGH	
			YEAR	% ↑↓ TAX RTA

(R.O. 587, XI 29, 2021)	Income Tax.	2022	66.05%
	Elimination of Tax Regimes Simplified (RISE) and Microenterprises (RIM), for the creation of the Tax Regime for Microenterprises and Popular Businesses (RIMPE).	2021	-
	As for the settlement of the IR in taxpayers considered as microenterprises, a rate ranging from 1% to 2% is established	2020	-
	The inheritance tax is resumed, Regularization of assets abroad, without exoneration.		12.46%
		Collection Imp. Rent data without withholdings/advances	

Source : ,, Own elaboration(SRI- CEF, 2023) (Plua-Parrales, 2019) (FARO, 2021) (Luna-Encalada, Guaiña-Yungan, & Molina-Granja, 2021) (Mazon-Fierro, Molina-Granja, Mendoza, Jara, & Swaminathan, 2022)

The table shows the various reforms and transformations that have been applied in Ecuador due to international realities and political decisions, to reduce the existing social gaps.

Since the dollarization of the Ecuadorian economy, its economy has grown by between 2.6 and 5 percent; and, precisely, the mechanisms of tax collection in Ecuador have reflected this growing trend of the economy (Asobanca, 2021)

The following is a brief analysis of the main reforms carried out concerning income tax:

- i. During the period 2000 - 2015, income tax was levied on natural persons, undivided inheritances, and national or foreign companies, either on income obtained free of charge or for consideration from work, capital, or both, consisting of money, kind or services, including profits and dividends distributed from Ecuadorian companies; or by income obtained abroad by natural persons domiciled in the country or by national companies. The taxation of income from inheritances, donations, and the discovery of assets located in Ecuador is modified to a progressive system with a marginal rate of 35%. There are specific reforms in the tax credit originated in the advance paid of income tax, which exceeds the tax caused and the possibility of requesting its refund when it constitutes an excess payment.
- ii. The percentage behavior varies from 1.46% in 2000 to 4.1% reaches its maximum value is 2009, decreasing in 2010 to 3.6%, and in the following years increases slightly (Méndez-Rojas, Méndez-Rojas, & Pérez-Rico, 2015) (Granja & Rafael, 2017).
- iii. In 2007, new payment scales according to income were introduced, with marginal rates of 30 and 35 percent, and an intermediate scale with a marginal rate of 12 percent. (Méndez-Rojas, Méndez-Rojas, & Pérez-Rico, 2015)
- iv. Since 2000, there has been an increase in the collection of income tax on the taxable income of individuals and corporate profits, concerning the Gross Domestic Product.

On the other hand, Ecuador's tax burden is high compared to neighboring countries, including taxes, tariffs, social security contributions, and profits. Ecuador acts with at least 12 taxes in a general view, including income tax (IR), motor vehicles, assets abroad, value added (VAT), special consumption (ICE), redeemable non-returnable plastic bottles (IRBP), foreign exchange outflow (ISD), environmental tax vehicle pollution; royalties, patents, and mining conservation utilities; rural land; and contribution to comprehensive cancer care (SOLCA). For this study, we will concentrate on Income Tax.

b) Digital Economy and Income Tax

That economy that is based on information technologies and the internet is called Digital Economy. The Organization for Economic Cooperation and Development - OECD, mentions that the digital economy is characterized by its dependence on intangibles, personal data, and multilateral business models, and by the difficulty of determining where value is created. (OECD, 2022)

In Ecuador, this type of economy has developed at a much slower rate than in other countries, since only in 2002, the definition of electronic commerce was introduced in the relevant regulations. (Law on Electronic Commerce, Electronic Signatures and Data Messages), and in 2019, a more detailed regulation was included with the Commercial Code; however, the regulation on e-commerce and digital economy is almost non-existent, denoting that, according to the Ecuadorian Chamber of Electronic Commerce (CECE), e-commerce transactions in 2019 were 24 million, growing by 42% compared to 2018. At present, the Organic Law for the Development, Regulation and Control of Technological Financial Services, (Fintech Law) came into force, whose publication was through official registration No. 215 of December 22, 2022. (Jara, 2020)

Ecuadorian tax regulations have not presented greater development in the face of the taxation of the digital economy, in particular, in terms of direct taxes such as Income Tax. At the end of 2019, through the Organic Law on Tax Simplification and Progressivity, the Internal Tax Regime Law was reformed, including digital services as part of the generating event of the Value Added Tax.

For this study, we refer to state collection information independent of the type of taxpayer's business model.

c) Collection of Personal Income Tax

In the specific case of income tax, in Ecuador this tax is composed of Income of Natural Persons, Legal Persons, Inheritances, legacies, and donations, this article analyzes the behavior of the collection of Income Tax of natural persons of the last decade, from 2013 to 2022, and in this way determine the impact of the collection according to the tax reforms of the country.

Table 2.- IR Collection 2013-2022

Year	Collection	Nominal percentage growth	Effect
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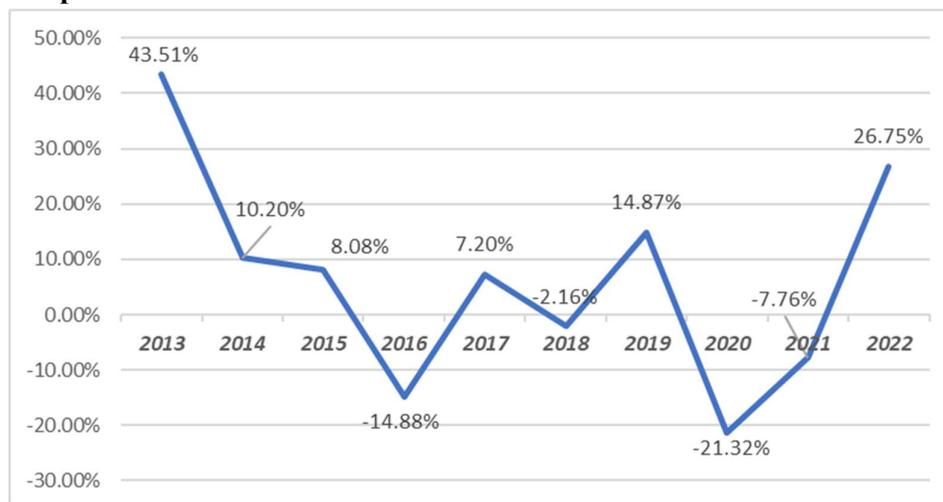
	-Figures in thousands of dollars -	Previous year's collection	
		Collection the following year	
2013	161.498	43,51%	MIDDLE
2014	177.965	10,20%	MIDDLE
2015	192.348	8,08%	ALTO
2016	163.720	-14,88%	MIDDLE
2017	175.500	7,20%	MIDDLE
2018	171.709	-2,16%	MIDDLE
2019	197.240	14,87%	ALTO
2020	155.181	-21,32%	LOW
2021	143.140	-7,76%	LOW
2022	181.431	26,75%	ALTO

Source : , Own elaboration(SRI, 2023) (SRI, 2023a)

RANK	EFFECT
up to \$160 billion	Low
up to \$180 billion	Middle
\$180 billion	High

Source: Authors.

Graph 1.- IR Collection 2013-2022



Own elaboration

Regarding the collection of Personal Income Tax, graph 1 shows a downward trend, however, in the period 2019, 2021 and 2022 there is significant growth.

Ecuador has experienced several stages of transformation of the productive matrix and with it several tax reforms, with the increase of taxes and exceptions or incentives that had and influenced tax collections, especially Income Tax. Therefore, the collection of Income Tax and its relationship with the behavior of Ecuador's GDP were analyzed. This is important to

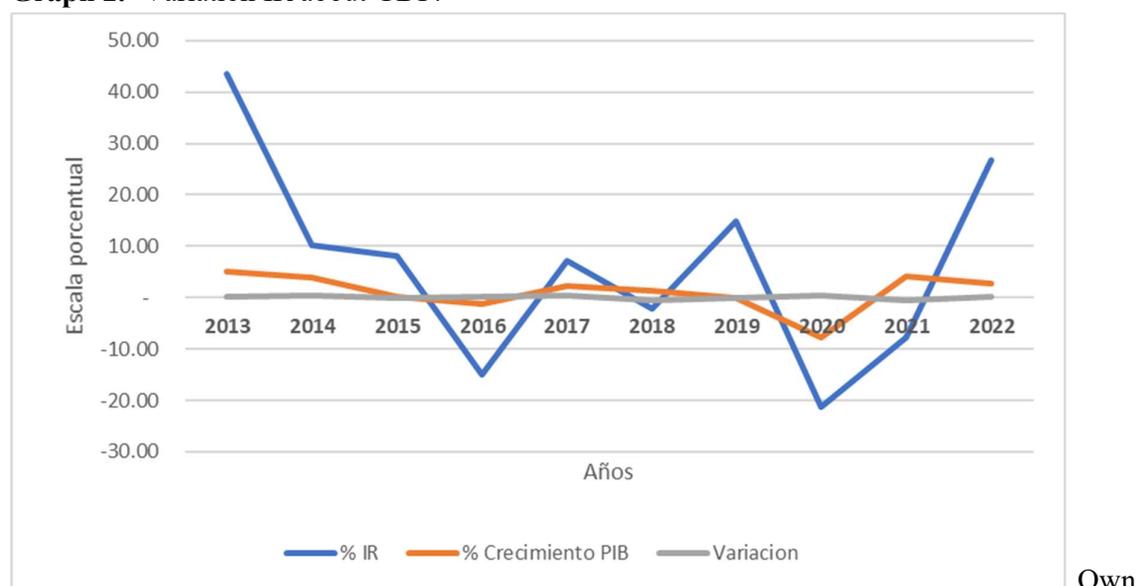
determine that the government must analyze a reciprocal behavior between the level of production and income of the country with the income to the state by taxes.

Table 3.- IR variation in GDP

Year	% RI	% GDP growth	Variation
			% RI % GDP growth
2013	43,51	4,95	0,11
2014	10,20	3,79	0,37
2015	8,08	0,10	0,01
2016	-14,88	-1,23	0,08
2017	7,20	2,37	0,33
2018	-2,16	1,29	-0,60
2019	14,87	0,01	0,00
2020	-21,32	-7,79	0,37
2021	-7,76	4,24	-0,55
2022	26,75	2,70	0,10

Fountain: (SRI, 2023a) (Wens, 2020) Own elaboration

Graph 2.- Variation IR about GDP.



elaboration

In an analysis of the percentage of GDP growth with the collection of the IR and its variation index, it is denoted that there is a high relationship, in such a way that the behavior of GDP has a direct impact on the results of the collection of Income Tax.

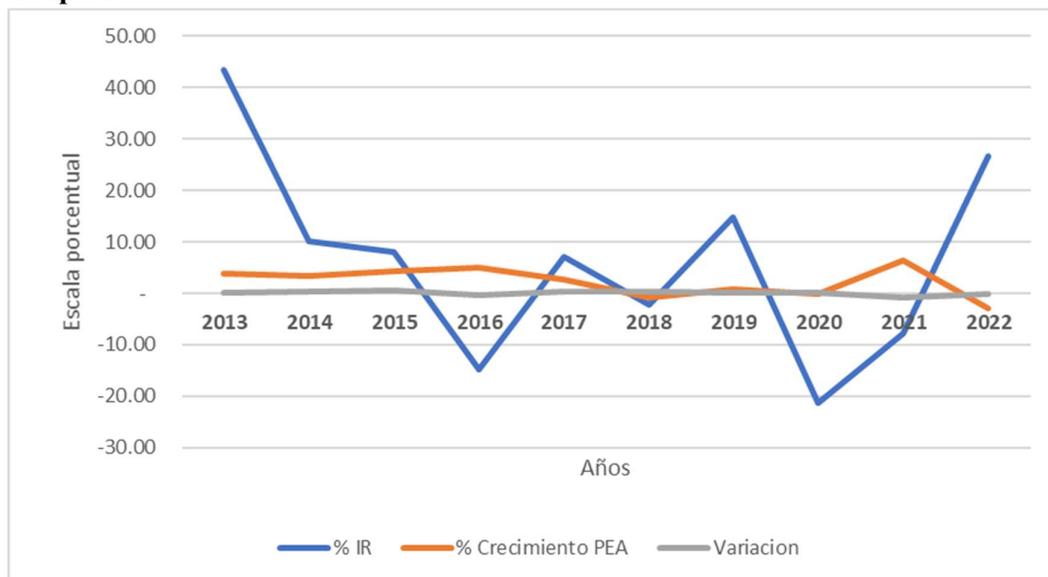
Table 4.- Variation IR about the Economically Active Population

Year	% RI	% PEA Growth	Variation
			% OF IT % PEA Growth
2013	43,51	3,76	0,09
2014	10,20	3,47	0,34

2015	8,08	4,23	0,52
2016	-14,88	5,01	-0,34
2017	7,20	2,69	0,37
2018	-2,16	-0,73	0,34
2019	14,87	0,90	0,06
2020	-21,32	-0,11	0,01
2021	-7,76	6,34	-0,82
2022	26,75	-2,85	-0,11

Fountain: (SRI, 2023a)Own elaboration

Graph 3.- Variation IR about the EAP.



In an analysis of the percentage of growth of the EAP with the collection of the IR and its rate of variation, it is denoted that there is no direct relationship except in some years in which the EAP increased and the IR increased; this can be an indicator to be able to carry out a reform, in which the majority of taxpayers cancel the Income Tax.

DISCUSSION

The tax reforms being carried out in Ecuador and all countries are aimed at improving tax revenues that finance the general state budgets, expanding the universe of taxpayers and creating a culture of contribution; promoting the payment of taxes by natural and legal persons who have the most; without neglecting to contain tax evasion, which harms the State.

One of the main taxes that generate more income for the state, because it is transversal to the entire population, is the Income Tax and in this study to the group of natural persons. The Government, as of 2008, implemented the declaration of personal expenses, through which the tax base is fixed to determine the tax imposition, impacting mainly natural persons in a dependency relationship, where the employer must make the withholding and declaration. This tax has been reformed over time, adjusting the detail of deductible expenses, as well as the ceilings of the amounts that can be deducted and the value to be declared; as a result of the pandemic, the Ecuadorian Government had an impact on tax revenues; which motivated President Guillermo Lasso, send at the end of 2021 the tax reform called Organic Law of

Economic Development and Fiscal Sustainability, in force in 2022; which abruptly modified the ceiling of personal expenses of natural persons in a relationship of dependency and independent natural persons, with a decrease of more than 50% compared to previous years; impacting on substantially improving tax revenues from the Income Tax on individuals, with a projected increase in new revenues of 1,900 million for this tax reform.

State tax management, having a direct impact on the productive economic sector, must analyze its application and the implications they have for natural persons in a dependency relationship, as well as independent natural persons, so as not to affect the net income of these taxpayers; which directly affects and dismisses consumption, creating a circulation that must be analyzed.

CONCLUSIONS

In Ecuador, in the period of analysis, several tax reforms have been generated, with variations in the way of calculating the tax base; type of regimes with exceptions and incentives that aim to improve the country's revenues and with it the collection of taxes, most of these reforms with a high impact on the tax society, They have meant that the State has a higher level of collection.

It is evident that each tax reform generates an increase in collection; The year 2020 cannot be referenced because being the year of the pandemic, tax records do not consider it as a reference for statistics and analysis trends about collection.

The last collection period analyzed corresponds to the year 2022, where a high impact is determined since it has one of the highest collections of Income Tax in the last decade (lower than 2015 and 2019); resulting in the reduction of the benefits of personal expenses for natural persons, in application of the Organic Law of Economic Development and Fiscal Sustainability.

There is a variable behavior of the collection of Income Tax, in direct relation to the level of production and the political environment of the country typical of a progressive tax; so it demands reaching maturity of the tax system, potentiating the taxation of the digital economy, expanding the taxpayer base, reducing tax evasion; giving consistency and sustainability to the state tax system, which will result in an increase in income from the collection of Income Tax.

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