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## The Impact of Fiscal Policy on Ecuador's Economic Stability

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### Abstract

*This study examines how the fiscal policy implemented in Ecuador in recent years has influenced the country's economic stability. A quantitative and qualitative approach is used to assess the impact of income taxes, VAT and other taxes on GDP growth and other relevant economic indicators. Statistical data is collected and analyzed; it is also essential to conceptually know aspects such as the administration of fiscal policy through the implementation of laws and knowledge of the tax system; whose main functions include increasing income intended for the Ecuadorian State to satisfy the needs of the country, and in this way, provide a comprehensive vision of the relationship between fiscal policy and economic stability in Ecuador during recent years. Finally, to serve as an informative basis, the General State Budget is presented, which shows in advance what must be spent and the income of the institution, with the purpose of knowing if this study that serves as a guide in the development of the country in a financial way than planned; data that served as the basis for exposing the taxes collected during the years 20218 to 2022.*

**Keywords:** Taxation, planning, budget, social and economic development.

### Introduction

Fiscal policy plays an important role in having a stabilizing effect on economic fluctuations; by managing government revenues and expenditures (and resulting deficits or surpluses in the public sector) to have an expansionary or contractionary effect on aggregate demand.

Fiscal policy is a fundamental tool in the economic management of any nation, and its impact on a country's economic stability cannot be underestimated.

In the context of the Republic of Ecuador, a nation with a diverse and ever-evolving economy, the formulation and implementation of effective fiscal policies is of critical importance. In this article, we explore the complex and dynamic link between fiscal policy and economic stability in Ecuador, with a focus on the challenges and opportunities this South American country has faced in recent decades.

Ecuador, like many developing economies, is in a constant quest to achieve and maintain economic stability in an ever-changing global environment. Economic stability is essential for the well-being of its citizens, attracting foreign investment and sustainable growth. In this context, fiscal policy emerges as a fundamental instrument to balance the government's

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financing needs with the macroeconomic objectives of controlled inflation, sustainable growth, and equity in the distribution of wealth.

Ecuador has undergone a number of reforms and changes in its fiscal policy over the years, resulting in a wide range of effects on its economic stability. The adoption of the U.S. dollar as the official currency in 2000, for example, transformed the country's fiscal and economic landscape, while establishing constraints and opportunities in policymaking. In addition, fluctuations in oil prices, a crucial component of Ecuador's tax revenues, have led to a number of challenges and adjustments in fiscal policy.

In this article, we will explore how fiscal policy has been a key instrument in addressing these challenges and promoting economic stability in Ecuador. We will look at the role of taxation, government spending, and debt management in achieving these goals. We will also examine how changes in fiscal policy have influenced investment, employment, and the well-being of the Ecuadorian population.

As we move forward in this analysis, it is essential to consider that the relationship between fiscal policy and economic stability is intricate and multifaceted. To fully understand the impact of fiscal policy on Ecuador's economy, we must consider a number of factors, including the overall economic situation, the country's development goals, and political and social preferences. This article aims to shed light on this complex relationship and provide a solid basis for future discussions and policy-making in Ecuador and other developing economies.

In the following sections, we will specifically address how fiscal decisions have influenced key indicators of economic stability in Ecuador and provide evidence-based recommendations to improve the effectiveness of fiscal policy in the country.

Fiscal policy is a fundamental aspect of any nation and plays a crucial role in promoting socio-economic development. In the Ecuadorian context, the tax system has undergone significant transformations in recent years with the aim of fostering sustainable economic growth and fiscal stability. In this article, we will analyze the impact of fiscal policy on Ecuador's economic stability over the past few years, focusing on income taxes, VAT, and other key aspects of the tax system.

It was also necessary to know the criteria on fiscal policy of the International Bureau of Fiscal Documentation (IBFD 2018), which refers to the implementation of taxes as a burden by individuals or companies to the Government.

Therefore; Taxes in Ecuador and the rest of the countries of the world are collections that serve a set of activities that must be carried out by the State administration and sectional governments in order to satisfy the needs of the inhabitants such as security, health, education, mobility and housing infrastructures, among others.

With regard to the social and economic aspect, it cannot be overlooked that the Ecuadorian population also faces problems such as inequality and poverty; that they are also considered to be exceeded within the general budget of the State as a fiscal policy; However, despite giving special attention to malnourished children, it has often not been possible to combat them due to the lack of timely attention.

We must also bear in mind that in recent years Ecuador has suffered from the mismanagement of its financial resources, resulting in a high level of corruption; which requires fair monitoring of the resources collected and used by public servants; The level of evasion of resources in recent years has been very high.

It should be emphasized that the State in order to achieve the development of the country, such as complying with works such as roads, bridges, housing; Items that need to be allocated in large volumes of money, must not only maintain rules that apparently serve as control; rather, to carry out prior, concurrent controls and not wait for them to be completed or abandoned as in most cases, demonstrating financial mismanagement that affects the country financially; and, emotionally, to the taxpayers of the mandatory taxes.

In Ecuador, there is a high level of government exposure to corruption; But unfortunately, every procedure is judged in oblivion by the judicial institutions, since many of the corrupt have not only left the country; rather, they have been released without serving their sentences, let alone returning the resources they have evaded.

It should also be borne in mind that taxes are not a way for the State to raise resources; Rather, they contribute to the development of a country and its people, since it is a means of distributing wealth, taking from those who have more to give to those who have less.

Article 300 of the Constitution of Ecuador states that: "The tax regime shall be governed by the principles of generality, progressivity, efficiency, administrative simplicity, non-retroactivity, equity, transparency and sufficiency of collection. Priority will be given to direct and progressive taxes."

Article 6 of the Tax Code of the Ecuadorian State states: "That taxes, in addition to being a means of collecting public revenues, shall serve as an instrument of general economic policy, stimulating investment, reinvestment, savings and their use for productive purposes and national development; meet the demands of social stability and progress and seek a better distribution of national income."

In any case, Ecuador ends 2022 with an estimated economic growth of 2.7%, according to the Central Bank of Ecuador (ECB). This figure is 1.54 percentage points lower than the growth rate presented in 2021.

It cannot be ignored that Ecuador, like the rest of humanity in the world, in the years 2021 and 2022 suffered an epidemic caused by a virus known worldwide as COVID-19; for which reason the Government of Ecuador devoted a great deal of resources to combating it; In addition to the fact that both production and commerce were forced to put aside their activities consequently, the State was forced to apply certain restrictions such as the temporary closure of borders, schools and shopping centers, in order to avoid crowds and contract more infections. The commercial interruption caused by the virus brought an impact such as unemployment, lack of resources for families to sustain basic services and consequently, in the contribution of taxes to the State.

From all the above, the research problem was based on the fact that there is no precise data on the losses of people and companies that, for the reasons stated at the present time, many have not been able to comply with the expected taxes

Finally, the objective of the study; is to know through data exposed by the Internal Revenue Service (SRI) of Ecuador the tax revenues during the years 2018 to 2022, in order to compare them and know the reality of this income.

## **Development**

## **Method**

Methods with quantitative and qualitative approaches.

Quantitative method. Humberto Ñaupas Paitán. (2018). "It is characterized by the use of quantitative methods and techniques and therefore has to do with measurement, the use of magnitudes, the observation and measurement of the units of analysis, sampling, statistical treatment."; With a qualitative approach. Hernández Samperio, Roberto (2014) "It is also guided by significant areas or topics of research. However, instead of clarity about research questions and hypotheses preceding data collection and analysis (as in most quantitative studies), qualitative studies may develop questions and hypotheses before, during, or after data collection and analysis."

## **Result**

The present study was carried out through the methodology with quantitative and qualitative approaches, because it was necessary to collect statistical information and analyze each of the data related to tax revenues and their budget distribution during the years 2018 – 2022; carrying out its percentage analysis; and its corresponding variations, with the purpose of knowing the economic and budgetary contribution to the socio-economic development of Ecuador.

To obtain the results of this research, it is also necessary to know some important concepts in its development, such as:

Fiscal policy. (IBFD, 2018) "Tax Administrations implement tax laws. The tax is an involuntary fee paid by individuals or businesses to the government. A tax is a mandatory charge or other levy imposed on an individual or legal entity by a State or a functional equivalent of a State. Taxes can also be levied by a subnational entity (province, municipality). Taxes are unrequited payments in the sense that the benefits provided by the government to taxpayers are normally not in proportion to their payments. Taxes are levied by law. Taxation in modern democratic societies requires a legal basis. The main functions of fiscal policy include increasing revenues to finance public expenditures, redistributing income and wealth (both within and across generations), and correcting externalities." (Kommer, 2011, pág. 6)

Fiscal policy. (ECLAC, United Nations – 2006). "Over the past quarter century, tax policy in Latin America has been the subject of continuous treatment, although the assessment of its economic impact has not always been sufficiently deepened... Historically, these tax systems have been characterized by the scarcity of the resources they generate, necessary both to provide public goods and to finance policies that improve income distribution. Although in almost all Latin American countries there has been an increase in the average tax burden in the last decade, the increase has not been at the level of expectations and needs. In addition to sustainability issues, there are still strong unmet expenditure pressures in many countries, particularly in relation to poverty reduction programmes and the financing of the pension system and public investment, which remains at minimum levels in many countries." (Programa EUROsociAL, 2016, pág. 7)

Tax System in Ecuador. "Definition of tribute, tax, fee, special contribution and parafiscal tax Article 1 of the current TC, dedicated to the scope of application, contains a reference to the three tax categories that exist in Ecuador, that is, taxes, fees and special contributions.... After article 1 of the Tax Code, the following unnumbered articles shall be added: "Art. [...] Tributes. These are the pecuniary benefits that the State requires in the exercise of its power of taxation and as a consequence of the realization of the taxable event provided for in the law, to which the duty to contribute is linked, in order to satisfy public needs. Parafiscal taxes are those established in a mandatory manner by law when they do not fully correspond to one of the

categories detailed below. These taxes shall be governed by the provisions of this Code. Taxes are classified into taxes, fees, and contributions. Art. [...]. Tax. A tax is understood to be a tax whose obligation has as its generating event and as its legal basis a situation independent of any State activity relating to the taxpayer that demonstrates a certain capacity to pay on the part of the taxpayer. Art. [...]. Rate. A tax is a tax whose generating event consists of the actual or potential provision of a service under public law or the use of a public good, individualized or that refers, affects or benefits the taxpayer in a particular way, when the service or use is not voluntarily requested or received by the taxpayers or is not provided or carried out by the private sector. and the amount of which must correspond to the cost or maintenance of the service. Art. [...]. Special contribution. A special contribution is a tax that generates special benefits derived from the execution of public works or the expansion of public services. Its proceeds must not be used for any purpose other than the financing of the works or activities that constitute the budget of the obligation" (Euro Social, 2016, págs. 11-12)

Tax Code. "Scope of application.- The precepts of this Code regulate the legal relations arising from taxes, between the active subjects and the taxpayers or those responsible for them. They will apply to all taxes: national, provincial, municipal or local or other entities creditor of them, as well as to the situations arising from or related to them. For these purposes, taxes are understood to be taxes, fees and special or improvement contributions. Supremacy of tax rules.- The provisions of this Code and other tax laws shall prevail over any other rule of general law. Consequently, laws and decrees that in any way contravene this provision shall not be applicable by the administration or by the courts. Taxing power.- Taxes may only be established, modified or extinguished by a legislative act of a competent body. Tax laws shall not be enacted with retroactive effect to the detriment of taxpayers. Special fees and contributions shall be created and regulated in accordance with the law. The President of the Republic may fix or modify customs tariffs. Reservation of law.- The tax laws shall determine the taxable object, the active and passive subjects, the amount of the tax or the manner of establishing it, the exemptions and deductions; claims, remedies and other matters reserved to the law that must be granted under this Code. Tax principles.- The tax regime shall be governed by the principles of legality, generality, equality, proportionality and non-retroactivity. Purposes of taxes.- Taxes, in addition to being a means of collecting public revenues, shall serve as an instrument of general economic policy, stimulating investment, reinvestment, savings and their allocation to productive purposes and national development; They will meet the demands of social stability and progress and will seek a better distribution of national income. Supplementary rules.- The provisions, principles and figures of the other branches of law shall be applied only as supplementary rules and provided that they do not contradict the basic principles of fiscal policy. (Ecuador, 2018, págs. 2-3)

Internal Revenue Service. "As an autonomous body of the State of Ecuador, the law endows the SRI with different functions, powers and obligations; as well as powers that guarantee the fulfillment of their functions under the framework of the law. Among the functions of the SRI are: To implement Ecuador's tax policy, To inform the taxpayer about their tax obligations, To apply penalties through the Law No. 41, art. 2, Determine, collect and control the internal taxes of the state, Redistribute the resources obtained through taxes, Hear and resolve petitions, claims, appeals and absolve the proposed consultations, Issue and cancel credit titles, credit notes and collection orders, Provide taxpayers with tools to facilitate compliance with tax obligations. All others assigned to it by law; On the other hand, the powers of the IRS are listed from articles 67 to 71 of the Tax Code, and are: Determining power Resolution power, Sanctioning power, Collection power – This power is exercised in two ways: Through

withholding agents, Through the systems or forms that the law establishes for each tax. In other words, the Internal Revenue Service of Ecuador can and must fulfill its functions and obligations in the collection and collection of taxes, through the attributions and powers established by law." (SRI, 2023, págs. 3-4)

Budget. "A budget is the anticipated calculation of the expenditures and income of an entity or a person; It determines the amount of money needed to meet future expenses, taking into account what is available as a resource. At the country level, a general State budget is drawn up, which is a basic instrument for implementing a government's economic policy. Its elaboration requires a decision-making process on the allocation to be made of the available resources, guided by the objectives of economic policy, which, in general, are to satisfy the needs of society. The difficulty of planning the allocation of resources lies in prioritizing national needs, that is, in determining their importance of attention, this is what changes the budget planned by one government from the planned by another. The general budget of the State is prepared and executed by each government for its period of exercise, so it is projected for several years. The Constitution states that it must be approved by the National Assembly in order to be the result of an agreement and a joint strategy between various political and social forces in the country. Social needs include housing, health, environmental care, culture, public works, transportation, education, national defense, and internal security. Alend, in your opinion, a part of the budget that is represented in the graph to each need and comment on the reason for your priorities to your colleagues. The general budget of the State is composed of two elements; government revenue, which represents the assets of its economy and the goods or securities received by the State in a given period — usually in one year; and public expenditure, which represents the liabilities of the economy or the items that are allocated for its operation and the maintenance of collective needs. Public revenue is made up of: Oil revenues: received from the export of barrels of oil and the domestic sale of its derivatives, such as gasoline and diesel. Non-oil tax revenues: consist of taxes administered by the Internal Revenue Service: income tax, value-added tax (VAT), excise tax (ICE), inheritance tax, foreign exchange outflow tax, tax on assets abroad, and tax on motor vehicles for land transportation. Tariffs or taxes on imports that are administered by the Ecuadorian Customs Corporation (CAE) are also tax revenues. Non-oil non-tax revenues: these are those received by way of fines and interest and those generated by the self-management of state entities and companies, such as the collection of identity cards in the Civil Registry, for consultations in public hospitals or for the sale of services such as electricity. (SRI, 2012, págs. 19-20-21)

Budget. "The General State Budget is the instrument for determining and managing the income and expenditure of the State, and includes all the income and expenditure of the public sector, with the exception of those belonging to social security, public banking, public enterprises and decentralized autonomous governments." The information provided here has been obtained from the e-SIGEF Financial Administration System, as well as internal reports on the evolution of revenue collections, reports and budget monitoring and evaluation forms submitted by the institutions that make up the General State Budget (PGE); in addition to information obtained from the different Undersecretariats of the Ministry of Economy and Finance, the Internal Revenue Service<sup>1</sup>, the National Customs Service of Ecuador<sup>2</sup>, the Central Bank of Ecuador and other public sector institutions. Revenues and public financing are recorded on a mixed basis, accrued in some cases and in others on a cash basis. The execution of the budget in terms of expenditure applies the accrual method, which is the recording of obligations of the works, goods or services managed by each entity, for the provision actually received, without necessarily having a monetary flow. The figures provided as a percentage of the Gross

Domestic Product (GDP) use the estimate obtained from the Central Bank of Ecuador's Macroeconomic Forecasts 20193 website. (Ministerio de Economía y Finanzas, 2022, pág. 7)

A statistical study carried out by both the Internal Revenue Service and the Ministry of Economy and Finance of Ecuador for the years 2018 to 2022 on the contribution of financial resources by fiscal policy of the Ecuadorian people to the State budget is presented.

Table No. 1: Collections Year 2018.

TOTAL RECAUDADO					
CONCEPTO DE LA RECAUDACION		Meta Ene-Dic 2018	Recaudación Ene-Dic 2018	Participación de la Recaudación 2018	
CLASIFICACIÓN	INTERNOS	Impuesto a la Renta Global	4.542.132	4.368.872	84%
		Retenciones Mensuales <sup>(2)</sup>	2.896.329	2.909.244	
		Anticipos al IR	375.911	344.590	
		Declaraciones de Impuesto a la Renta <sup>(3)</sup>	1.269.892	1.115.037	
		Personas Naturales	187.996	171.709	
		Personas Jurídicas	1.065.933	918.532	
		Herencias, Legados y Donaciones	15.962	24.797	
		IVA Operaciones Internas	5.106.056	4.688.171	
		ICE Operaciones Internas	822.523	709.546	
		Impuesto Ambiental Contaminación Vehicular	124.528	105.622	
		Impuesto Redimible Botellas Plásticas no Retornable	34.084	34.761	
		Impuesto a los Vehículos Motorizados	210.363	202.369	
		Impuesto a la Salida de Divisas	1.202.750	1.191.482	
		Impuesto Activos en el Exterior	38.481	28.697	
		RISE	23.174	20.435	
	Regalías, patentes y utilidades de conservación minera	53.121	55.685		
	Tierras Rurales	7.586	2.345		
	Contribución para la atención integral del cancer	106.017	104.270		
	Intereses por Mora Tributaria	83.388	97.297		
	Multas Tributarias Fiscales	51.572	43.490		
Otros Ingresos	7.798	5.078			
<b>(a) SUBTOTAL INTERNOS</b>		<b>12.413.574</b>	<b>11.658.119</b>		
EXTERNOS	IVA Importaciones	1.812.687	1.947.054	16%	
	ICE Importaciones	223.739	268.694		
	<b>(b) SUBTOTAL EXTERNOS</b>	<b>2.036.426</b>	<b>2.215.749</b>		
DIRECTOS		-7.999.090	6.225.641	45%	
INDIRECTOS		7.999.090	7.648.227	55%	
<b>(c=a+b) RECAUDACIÓN BRUTA <sup>(4)</sup></b>			<b>13.873.867</b>		

Source: SRI. Elaborated Authors.

Table No. 2: Collections Year 2019.

TOTAL RECAUDADO					
CONCEPTO DE LA RECAUDACION		Meta 2019	Recaudación 2019	Participación de la Recaudación 2019	
CLASIFICACIÓN	INTERNOS	Impuesto a la Renta Recaudado	4.606.902	4.769.906	86%
		Retenciones Mensuales <sup>(2)</sup>	2.850.156	2.922.941	
		Anticipos al IR	378.084	393.532	
		Declaraciones de Impuesto a la Renta <sup>(3)</sup>	1.378.661	1.453.413	
		Personas Naturales	221.188	197.240	
		Personas Jurídicas	1.133.415	1.232.163	
		Herencias, Legados y Donaciones	24.059	24.031	
		IVA Operaciones Internas	5.039.491	4.884.902	
		ICE Operaciones Internas	735.729	653.941	
		Impuesto Ambiental Contaminación Vehicular	129.010	122.250	
		Impuesto Redimible Botellas Plásticas no Retornable	36.156	35.907	
		Impuesto a los Vehículos Motorizados	238.091	223.052	
		Impuesto a la Salida de Divisas	1.271.141	1.140.097	
		Impuesto Activos en el Exterior	30.836	34.528	
		RISE	25.534	21.903	
	Regalías, patentes y utilidades de conservación minera	67.389	66.841		
	Contribución para la atención integral del cancer	111.138	115.618		
	Otros Ingresos	181.531	142.977		
	<b>(a) SUBTOTAL INTERNOS</b>		<b>12.472.949</b>	<b>12.211.921</b>	
	EXTERNOS	IVA Importaciones	2.119.686	1.800.167	14%
ICE Importaciones		279.977	256.671		
<b>(b) SUBTOTAL EXTERNOS</b>		<b>2.399.663</b>	<b>2.056.838</b>		
DIRECTOS		6.661.573	6.637.171	47%	
INDIRECTOS		8.211.038	7.631.588	53%	
<b>(c=a+b) RECAUDACIÓN BRUTA <sup>(4)</sup></b>		<b>14.872.611</b>	<b>14.268.759</b>		

Source: SRI. Elaborated Authors.

**Table No. 3:** Collections Year 2020.

CONCEPTO DE LA RECAUDACION		Meta 2020	Recaudación 2020	Participación de la Recaudación 2020	
CLASIFICACION	INTERNOS	Impuesto a la Renta Recaudado	4.406.860	4.406.689	87%
		Retenciones Mensuales <sup>(2)</sup>	2.869.093	2.844.433	
		Anticipos al IR	330.492	289.923	
		Declaraciones de Impuesto a la Renta <sup>(3)</sup>	1.207.275	1.272.333	
		<i>Personas Naturales</i>	152.800	155.181	
		<i>Personas Jurídicas</i>	1.035.016	1.092.781	
		<i>Herencias, Legados y Donaciones</i>	19.459	24.371	
		IVA Operaciones Internas	4.087.986	4.093.035	
		ICE Operaciones Internas	527.460	578.889	
		Impuesto Ambiental Contaminación Vehicular	13.025	7.244	
		Impuesto Redimible Botellas Plásticas no Retornable	27.506	29.014	
		Impuesto a los Vehículos Motorizados	152.993	192.593	
		Impuesto a la Salida de Divisas	753.135	964.093	
		Impuesto Activos en el Exterior	33.457	31.391	
		RISE	18.945	20.377	
		Regalías, patentes y utilidades de conservación minera	34.130	40.284	
		Contribución para la atención integral del cancer	106.572	125.397	
		Contribución única y temporal	180.432	182.730	
		Intereses por Mora Tributaria	56.598	60.118	
	Multas Tributarias Fiscales	45.953	50.942		
Otros Ingresos	8.930	24.355			
<b>(a) SUBTOTAL INTERNOS</b>		<b>10.453.983</b>	<b>10.807.152</b>		
IMPORTACIONES	IVA Importaciones	1.203.536	1.413.120	13%	
	ICE Importaciones	130.846	161.572		
	<b>(b) SUBTOTAL IMPORTACIONES</b>	<b>1.334.381</b>	<b>1.574.693</b>		
DIRECTOS		5.811.031	6.106.214	49%	
INDIRECTOS		5.977.333	6.275.631	51%	
<b>(c=a+b) RECAUDACIÓN BRUTA <sup>(4)</sup></b>		<b>11.788.364</b>	<b>12.381.845</b>		

Source: SRI. Elaborated Authors.

**Table No. 4**

Source: SRI. Elaborated Authors.

The impact of the pandemic between 2019 and 2020 in terms of tax collections was \$14,268,759.00 to \$12,381,845.35; that is, the collections for 2020 was less than \$1,886,913.65; that is, 13.224% less, being the most affected items in the collection of taxes by Income Tax, VAT, CE and various



Table No. 5: Collections Year 2021.

TOTAL RECAUDADO							
CONCEPTO DE LA RECAUDACION		Meta 2021	Recaudación 2021	Participación de la Recaudación 2021			
CLASIFICACIÓN	INTERNOS	<b>Impuesto a la Renta Recaudado</b>	4.402.653	<b>4.330.621</b>	84%		
		IVA Operaciones Internas	4.274.037	<b>4.765.111</b>			
		ICE Operaciones Internas	577.580	<b>577.390</b>			
		Impuesto Ambiental Contaminación Vehicular	20.686	<b>8.933</b>			
		Impuesto Redimible Botellas Plásticas no Retornable	33.323	<b>33.522</b>			
		Impuesto a los Vehículos Motorizados	249.996	<b>217.871</b>			
		Impuesto a la Salida de Divisas	1.136.030	<b>1.212.106</b>			
		Impuesto Activos en el Exterior	25.247	<b>23.782</b>			
		RISE	25.243	<b>22.866</b>			
		Regalías, patentes y utilidades de conservación minera	53.821	<b>73.962</b>			
		Contribución para la atención integral del cancer	173.110	<b>184.074</b>			
		Contribución única y temporal	182.728	<b>182.925</b>			
		Intereses por Mora Tributaria	56.763	<b>57.766</b>			
		Multas Tributarias Fiscales	55.488	<b>52.553</b>			
		Otros Ingresos	8.248	<b>18.432</b>			
		<b>(a) SUBTOTAL INTERNOS</b>		<b>11.274.913</b>		<b>11.761.915</b>	
		IMPORTACIONES	IVA Importaciones	1.833.502		1.961.210	16%
ICE Importaciones	178.413		253.033				
<b>(b) SUBTOTAL IMPORTACIONES</b>		<b>2.011.916</b>	<b>2.214.243</b>				
DIRECTOS		6.389.914	6.385.891	46%			
INDIRECTOS		6.896.915	7.590.266	54%			
<b>(c=a+b) RECAUDACIÓN BRUTA <sup>(1)</sup></b>		<b>13.286.829</b>	<b>13.976.158</b>				
(d) Notas de Crédito			899.963				
(e) Compensaciones			36.583				
<b>(f=c-d-e) RECAUDACIÓN EN EFECTIVO <sup>(2)</sup></b>			<b>13.039.611</b>				
(g) Devoluciones <sup>(3)</sup>			244.967				
<b>(h=f-g) RECAUCIÓN NETA (CONSIDERANDO VALORES OCASIONALES)</b>			<b>12.794.644</b>				
TOTALES	<b>(c=a+b) RECAUDACIÓN BRUTA <sup>(1)</sup></b>		<b>13.286.829</b>	<b>13.976.158</b>			
	(d) Notas de Crédito			899.963			
	(e) Compensaciones			36.583			
	<b>(f=c-d-e) RECAUDACIÓN EN EFECTIVO <sup>(2)</sup></b>			<b>13.039.611</b>			
	(g) Devoluciones <sup>(3)</sup>			244.967			
	<b>(h=f-g) RECAUCIÓN NETA (CONSIDERANDO VALORES OCASIONALES)</b>			<b>12.794.644</b>			

Source: SRI. Prepared by: the Authors.

Table No. 6: Collections Year 2022.

TOTAL RECAUDADO							
CONCEPTO DE LA RECAUDACION		Meta 2022	Recaudación 2022	Participación de la Recaudación 2022			
CLASIFICACIÓN	INTERNOS	<b>Impuesto a la Renta Recaudado</b>	5.010.034	<b>4.330.621</b>	84%		
		Retenciones Mensuales <sup>II</sup>	3.793.063	<b>3.483.143</b>			
		Anticipos al IR	17.518	<b>15.344</b>			
		Declaraciones de Impuesto a la Renta <sup>III</sup>	1.199.452	<b>832.135</b>			
		Personas Naturales	155.580	<b>143.140</b>			
		Personas Jurídicas	1.007.161	<b>569.505</b>			
		Herencias, Legados y Donaciones	10.085	<b>39.696</b>			
		Microempresas	26.626	<b>79.794</b>			
		Regularización de Activos en el Exterior	0	<b>0</b>			
		<b>IVA Operaciones Internas <sup>III</sup></b>	4.315.037	<b>4.765.111</b>			
		ICE Operaciones Internas	556.759	<b>577.390</b>			
		Impuesto Ambiental Contaminación Vehicular	7.273	<b>8.933</b>			
		Impuesto Redimible Botellas Plásticas no Retornable	31.684	<b>33.522</b>			
		Impuesto a los Vehículos Motorizados	230.946	<b>217.871</b>			
		Impuesto a la Salida de Divisas	1.031.627	<b>1.212.106</b>			
		Impuesto Activos en el Exterior	22.954	<b>23.782</b>			
		RISE	1.930	<b>22.866</b>			
		Regalías, patentes y utilidades de conservación minera	71.635	<b>73.962</b>			
		Contribución para la atención integral del cancer	178.522	<b>184.074</b>			
		Contribución única y temporal	183.014	<b>182.925</b>			
		Contribución Post COVID Sociedades	467.536	<b>0</b>			
		Contribución Post COVID Personas Naturales	260.947	<b>0</b>			
		Intereses por Mora Tributaria	54.628	<b>57.766</b>			
		Multas Tributarias Fiscales	52.811	<b>52.553</b>			
		Otros Ingresos	19.995	<b>18.432</b>			
		<b>(a) SUBTOTAL INTERNOS</b>		<b>13.157.515</b>		<b>13.157.515</b>	
		IMPORTACIONES	IVA Importaciones	2.048.229		2.350.031	16%
ICE Importaciones	243.855		351.000				
<b>(b) SUBTOTAL IMPORTACIONES</b>		<b>2.292.084</b>	<b>2.701.031</b>				
DIRECTOS		7.653.976	8.132.265	47%			
INDIRECTOS		7.795.624	9.029.633	53%			
<b>(c=a+b) RECAUDACIÓN BRUTA <sup>(1)</sup></b>		<b>15.449.600</b>	<b>17.161.898</b>				
(d) Notas de Crédito			1.466.058				
(e) Compensaciones			50.340				
<b>(f=c-d-e) RECAUDACIÓN EN EFECTIVO <sup>(2)</sup></b>			<b>15.644.900</b>				
(g) Devoluciones <sup>(3)</sup>			482.566				
<b>(h=f-g) RECAUCIÓN NETA (CONSIDERANDO VALORES OCASIONALES)</b>			<b>15.162.334</b>				
TOTALES	<b>(c=a+b) RECAUDACIÓN BRUTA <sup>(1)</sup></b>		<b>15.449.600</b>	<b>17.161.898</b>			
	(d) Notas de Crédito			1.466.058			
	(e) Compensaciones			50.340			
	<b>(f=c-d-e) RECAUDACIÓN EN EFECTIVO <sup>(2)</sup></b>			<b>15.644.900</b>			
	(g) Devoluciones <sup>(3)</sup>			482.566			
	<b>(h=f-g) RECAUCIÓN NETA (CONSIDERANDO VALORES OCASIONALES)</b>			<b>15.162.334</b>			

Source: SRI. Prepared by: the Authors.

**Table No. 7**

**Source:** SRI. Prepared by: the Authors.

If tax collections are compared between the years 2021, which was

\$ 13,976,158.00 and from 2022 of \$ 16,614,726.00, there is a recovery of more than \$ 2,638,568.00, especially in the items of Income Tax, VAT and miscellaneous; which percentage-wise is 15.881% more.

## Discussion and Conclusion

### Discussion

This study was carried out in order to know about the impact on economic growth that fiscal policy has been contributing to the general budget of the Ecuadorian State in the last five years 2018 -2022; and that due to the Covid 19 pandemic caused a real catastrophe affecting not only the development of the country; but because immense unemployment was caused, affecting the largest number of families so that they can survive, having generated as one of the causes the increase in drug trafficking and criminality, creating uncertainty and disturbance of the peace of the Ecuadorian people.

It is considered that, in order to achieve at least the sustainability of the country, sources of employment have been created in recent years, with industry, commerce and tourism functioning normally.

The preponderant role of tax policy in a "Rule of Law, the obligations of taxpayers must be based on legal provisions delimited by principles that serve to prevent abuse by the Public Administration, specifically in the field of taxation, of the Tax Administration; and, to recognize the rights of citizens. There is even talk of the principle of the rule of law, adopted in several contemporary constitutions and related to the protection of human dignity, the linking of state power to fundamental rights, the guarantee of judicial remedies, the division of powers and their subjection to the constitutional and legal order, the formal and material requirements in the production of legal provisions, the independence of judges, the requirement of due

process. In this context, the Constitution must provide legal certainty to the tax system, in order to materialize the fundamental values and principles; In addition, the fundamental provisions on taxation will regulate the attributions of the different public authorities to create regulations and procedures auxiliary to the proper development of the legal-tax relationship, the latter including those related to tax management". (The Constitutional Tax Principles of Legality and Reservation of Law in Ecuador. CRS)

It cannot be ignored that fiscal policy in the Ecuadorian case has been serving the people through the contracting of civil works such as roads, bridges, state structures, hospitals, schools, colleges, universities, the sustainability of public servants such as teachers, medical personnel, judicial personnel, police, armed forces, bureaucrats and in general each and every one of the services and goods that benefit the population in general.

In the study carried out at the Ministry of Finance and Internal Revenue Service, it was possible to obtain data on the amounts collected under Fiscal Policy as a contribution to the General Budget of the State; There have been sudden changes in its collections, especially during the years of the COVID19 pandemic that affected the world during the years 2018 to 2022, with reductions in tax collection and affecting the normality of national coexistence.

It was observed in the existing documentation that, although the different activities had been planned through the setting of strategic objectives and goals, many of these items were suspended in order to give priority to basic needs such as combating this virus by vaccinating the entire population and improving medical care in public hospitals, among other urgent needs.

## **Conclusion**

It is determined that taxes represent one of the most important revenues that weighs on the balance of the General State Budget and facilitate the financing of public expenditures, especially aimed at security (payment of salaries and maintenance of personnel in terms of food, clothing, weapons, means of defense and attack, infrastructure, among others of the armed forces and police); health (payment of salaries and maintenance of medical personnel in food, clothing, medical technology equipment and medicines, infrastructure works, among others); education (payment of salaries to teachers, infrastructures, equipment, among others); public works (construction and maintenance of roads, bridges, infrastructure for the use of public bodies, among others); contribute to the improvement of small farmers, fisheries, subsidize some goods and services for the neediest people, especially in fuel and electricity, vouchers for extremely poor people and resources for the child malnutrition program; therefore, in order to cover the general budget, there is income from the exploitation of mines and oil, the important thing is that the State can use all the revenues for the social and economic development of the country.

The main taxes in Ecuador are: Personal Income Tax (IRPF); Corporate Income Tax (IS); Non-Resident Income Tax (IRNR); Wealth Tax (IP); Inheritance and Gift Tax (ISD); Value Added Tax (VAT).

At the sector level, those with the highest year-on-year growth were: oil refining (23.9%), accommodation and food services (17.4%), aquaculture and shrimp fishing (16.2%) and transportation (13.1%).

The General State Budget (PGE) determines the management of the income and expenditure of all the institutions that make up the State. The document is based on the macroeconomic indicators of the Ecuadorian economy.

For the year 2023, the fiscal policy was issued by the national government as follows: Individuals who have an annual income of more than USD 11,722 must pay Income Tax in 2023. All of this means that if your monthly income is \$977 or more, you will have to pay this tax

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