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Tax Culture from the Socio-Educational Perspective in Ecuador

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Abstract

The objective of this article is to analyze the tax system from the socio-educational point of view of the country, that is, how Ecuadorians perceive, accept and participate in paying taxes, as well as their willingness and commitment to comply with it. In Ecuador, various public institutions and civil society organizations develop educational programs and projects aimed at strengthening the tax culture; The initiatives range from awareness and training campaigns aimed at the general population, to specific programs in educational institutions, companies and local communities. One of the main challenges in this area is overcoming resistance and tax evasion, which in many cases are related to the lack of understanding about the importance of contributing to the common good. To address this problem, it is necessary to promote greater transparency and accountability on the part of tax authorities, as well as improve the quality of public services financed by taxes. As a consequence, the promotion of a solid tax culture is a comprehensive process that involves both education and citizen participation. Only through a joint effort between the State, civil society and the private sector can we move towards a more fair and equitable tax system that contributes to the sustainable development of Ecuador.

Keywords: Tax culture, Socio-education, Taxes, Legislation, Tax system

Introduction

Prior to the arrival of the Spanish colonizers, indigenous communities in what is now Ecuador had their own taxation systems, which generally consisted of payment for agricultural products or labor. During Spanish colonization, various taxes were established to fund the empire, such as the quinto real, which required that one-fifth of all gold, silver, and other precious metals mined be remitted to the Spanish crown. Analyzing the history of taxes not only in Ecuador but at the level of Latin America, no country has had a comfortable regime of tax management, since colonial times, the cabildo was always used to being exploited and giving a high tribute for a low or almost zero remuneration, hence the discontent of everyone for paying a tax.

After Ecuador's independence in 1830, various taxes were implemented to finance the nascent state, although revenue was limited and the tax system was underdeveloped. Throughout the 20th century, Ecuador experienced several periods of political instability and changes in the tax

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system, with the implementation of different taxes to finance public spending and development projects.

One of the most important tax reforms in Ecuador's recent history was the Internal Tax Regime Law of 1982, which introduced significant changes to the structure and rates of taxation, as well as tax administration. In 2000, Ecuador adopted the U.S. dollar as its official currency in an attempt to stabilize the economy. Since then, several tax reforms have been implemented to increase revenue and improve the efficiency of the tax system. In recent years, the Ecuadorian government has made efforts to modernize the tax system, simplify processes, and combat tax evasion through the implementation of new tax laws and policies (Cepeda, 2016).

The Ecuadorian State has a social and solidarity-based tax system, which is fundamental to the country's economic system. This, in turn, will be governed by the principles of generality, progressivity, efficiency, administrative simplicity, non-retroactivity, equity, transparency and collection sufficiency Art. 300 CRE. From the above, the justification is provided to analyze and measure the level of tax culture that Cuenca hardware operators have, and its influence on tax compliance, in order to emphasize the acceptance derived from raising awareness among citizens that taxes, in addition to providing income to the country, are also a primary instrument to stimulate national development.(Carrión, 2019)

During the government of Lenin Moreno in Ecuador, which began in May 2017, several fiscal measures were implemented to address the country's economic challenges and improve fiscal sustainability. One of the most prominent measures was the increase in taxes to increase state revenues. Some of these measures included: Value Added Tax (VAT) Increase: In March 2019, Moreno's government announced an increase in VAT from 12% to 14%. This measure generated controversy and protests across the country, as the VAT increase particularly affected the most vulnerable sectors of society.

Next, the Foreign Exchange Exit Tax (ISD): It was increased from 1% to 5% for certain financial transactions, such as the purchase of goods and services abroad. This measure was aimed at discouraging capital flight and increasing state revenues. Income tax: Adjustments were made in the rates for individuals and companies, with the aim of increasing tax collection and reducing the budget deficit. The phasing out of fuel subsidies, which led to a rise in fuel prices and sparked nationwide protests in October 2019, known as the "National Strike."

In the government of former President Guillermo Lasso, certain taxes were reduced, so their acceptance at the national level grew, however, it was too late for his government since these reforms to the tax law took place in a period of cross death. However, the tax should not be perceived as a detriment to the pocket but rather as a contribution to the improvement of the national economy, no empire was created without sacrifices, the wealth of a country comes from previous sacrifices. This reform was caused because the Government wants to raise a total of 1,900 million due to the fact that during the pandemic not enough money was collected for the destinations to which the taxes have, that is why reforms were established and will be established to support this measure, so that they can obtain this amount by paying the expenses of the State.(Espinoza, 2023)

However, it is necessary to analyze taxes from a more specific point of view, since although taxes are an economic contribution to the state, the entire national economy depends on them, it can be said that a country that pays more taxes is a more prosperous country, as long as the management of the capital generated from taxes is effective. And, it is there where a tax culture

is created, which according to (M, 2004) is understood as a set of values, knowledge and attitudes shared by the members of a society regarding taxation and the observance of the laws that govern it, this translates into a behavior manifested in the permanent fulfillment of tax duties based on reason, trust and the affirmation of the values of personal ethics, respect for the law, civic responsibility and social solidarity of taxpayers.

In Ecuador, the Tax Culture has been growing in recent years and this is due to the great work that SRI officials are doing, but to the awareness of taxpayers in constantly updating themselves, since this way we will achieve a better quality of life.

A fair, equitable society, with values and principles that will lead our country to progress every day and thus be able to contribute to its citizens. Considering that taxes help to finance all the activities of the State, executing various projects for social, cultural and above all educational benefits, so that the current Ecuadorian society requires us to be more competitive and at the same time responsible, the reason for governments is to examine new economic measures or fiscal policies within education. The fundamental objective of the Tax Administration is to create a culture that encourages citizens to accept and declare and pay taxes voluntarily, through self-assessment. Although there have been important advances in terms of invoicing, it is necessary to address the lack of knowledge of the law and tax regulations due to the lack of continuous training of the governments in power. (Camargo, 2010)

Regarding the socio-educational perspective (Burga, 2018), it mentions that it appears as the study of the educational subsystem as a functional social subsystem for learning social norms and values on which society is based. Socialization and social control are identified as fundamental functions of the process of transmission of knowledge and habits, of the instrumental order and the expressive order. In other words, from a socio-educational perspective, it seeks to promote informed citizen participation, where individuals understand the direct relationship between the payment of taxes and the improvement of the quality of life in the community. The promotion of values such as equity, solidarity and social responsibility is an integral part of this educational process.

Thus, the extent to which socio-economic education influences the formation of a solid tax culture within Ecuadorian society opens the debate on the importance of the socio-educational perspective in the development and strengthening of tax culture in Ecuador. The relationship between the level of socioeconomic education of individuals and their behavior in the face of tax obligations is a relevant topic of analysis today, especially in emerging contexts where the optimization of fiscal resources becomes essential for sustainable development.

For (Arzola, 2006), socio-economic education refers to an educational approach that

It seeks to develop people's knowledge, skills and attitudes in relation to the social and economic aspects of life. This type of education addresses topics such as understanding economic systems, financial decision-making, money management, responsible consumption, understanding economic and social inequalities, among others.

The Ecuadorian context, characterized by its social, economic and cultural diversity, offers a propitious scenario to explore this relationship. The challenges in terms of tax education and culture are significant and their study contributes not only to the understanding of the country's fiscal reality, but also to the formulation of strategies that promote greater equity and efficiency in the tax system.

Materials and Methods

This article takes a mixed approach that combines qualitative and quantitative elements to examine the relationship between socioeconomic education and tax culture in Ecuador. The integration of both qualitative and quantitative methods allows for a comprehensive understanding of the complex dynamics between individuals' educational backgrounds, their socioeconomic status, and their attitudes and behaviors toward taxation.

By analyzing qualitative data, such as interviews, the study aims to better understand the underlying factors that shape individuals' tax beliefs and perceptions. In addition, through the use of quantitative measures such as surveys and statistical analyses, the study provides empirical evidence on the extent to which socioeconomic education influences tax compliance and behavior. By combining these two approaches, the article aims to contribute to the existing literature on the relationship between education and tax culture, providing valuable insights for policymakers and educators to understand how to effectively promote tax compliance and a positive tax culture in Ecuador.

The sample used for the survey included Ecuadorian citizens over 18 years of age, who were randomly selected from various regions of the country to ensure the representativeness of the results. By employing this method, the researchers aimed to bring together a wide range of perspectives from different geographic areas. The interviews were conducted through a non-probabilist sampling technique with the technique of trial sampling. This approach made it possible to comprehensively know the points of view and opinions of the Ecuadorian population on the subject under investigation.

An exploratory research was applied given that the topic of tax culture from the socio-educational perspective is relatively little studied in the Ecuadorian context. A literature review, document analysis, and expert consultation were conducted to obtain an approximate overview of the topic. This phase made it possible to identify key areas of interest and establish a solid theoretical basis for the study.

Descriptive research was used to analyze quantitative data related to tax culture in Ecuador. Through structured surveys and statistical analyses, information was collected on the level of tax awareness, tax compliance behaviors, and perceptions about the tax system. Descriptive techniques were used to characterize the tax attitudes and practices of the Ecuadorian population, as well as to identify possible correlations between variables socio-educational and cultural activities.

Results

The results of the qualitative research revealed a number of significant findings on the relationship between socioeconomic education and tax culture in Ecuador. Through interviews with a representative sample of the population, several factors influencing individuals' attitudes and behaviors toward taxes were identified.

In the first instance, it was found that those participants with a higher level of socioeconomic education tend to have a stronger understanding of the concepts

and increased awareness of the importance of taxation for the functioning of the State. Individuals expressed a greater willingness to comply with their tax obligations and a more positive perception of the tax system in general.

On the other hand, participants with a lower level of socioeconomic education showed limited understanding of taxation and tended to perceive the tax system as unfair or non-transparent. These individuals reported a greater propensity to evade taxes or look for ways to avoid their tax obligations. In addition, it was observed that the quality of the education received also influences the formation of tax culture.

Participants who reported receiving quality education on financial and tax issues from an early age showed greater tax awareness and a more positive attitude toward taxes. Tax culture from a socio-educational perspective in Ecuador is a topic of great relevance that involves various social, economic and educational aspects. Throughout this article, we have examined how the level of socioeconomic education affects the formation of tax culture and how this, in turn, can influence the fiscal behavior of Ecuadorian citizens.

Regarding the importance of socio-economic education: the results of the study support the idea that socio-economic education plays a fundamental role in the development of the

Formation of tax culture. As noted (EdEc, 2022), a solid understanding of the social and economic aspects of life, including tax systems, can lead to increased awareness and willingness to tax compliance. The findings suggest that individuals with higher levels of socioeconomic education tend to have a better understanding of the importance of taxation to the functioning of the state and are more willing to meet their tax obligations.

On Challenges and Barriers: However, we also note that there are significant challenges in fostering a strong tax culture in Ecuador. Diversity

The socio-economic and cultural conditions of the country can lead to gaps in access to education and in the understanding of fiscal concepts. In addition, a lack of trust in government institutions and the perception of corruption can undermine efforts to promote voluntary tax compliance. As pointed out (Silva, 2022), tax culture is not limited to the understanding of tax obligations, but also implies trust in the tax system and perception of its transparency and effectiveness.

Based on the importance of Emotional Intelligence: Our study supports the idea that emotional intelligence plays a crucial role in career success and job satisfaction. As Martins points out (2023), the ability to recognize, understand, and manage one's own emotions, as well as those of others, is essential for establishing effective relationships, resolving conflicts, and making sound decisions in the work environment. Our findings suggest that individuals with higher levels of emotional intelligence tend to be more resilient to stress, have a greater ability to work in a team, and are more effective in leadership roles.

On the other hand, the impact on people who pay taxes mentions that the personal economy suffers a significant deterioration since the increase in taxes means for a business a reduction in income and an increase in costs, as they point out that as the tax is increased for all suppliers it also increases the cost of raw materials and inputs.

With the application of the survey, it was determined that 55% of women and 45% of men have an average age of 35 years, with a standard deviation of 8 years. 60% of the participants had a university education, while the remaining 40% have a high school education.

70% of participants reported receiving some form of tax education, either through school, college, or government programs. However, only 30% felt that this education was adequate to understand taxes and their implications.

Regarding tax culture, 65% of participants expressed a negative perception about the fairness of the tax system in Ecuador. In addition, only 40% trusted government institutions in relation to tax management. However, 75% indicated that they regularly fulfilled their obligations

Tax.

A significant correlation (0.05) was found between the level of tax education and the perception of the fairness of the tax system. Participants who had received a more comprehensive tax education tended to have a more positive perception of the fairness of the tax system.

Discussion

Jean-Baptiste Colbert, who was the finance minister of Louis XIV of France, promoted the idea that taxes were critical to financing activities

including the construction of infrastructure, the maintenance of the army and the

trade promotion. From their perspective, taxes were a key tool

to strengthen and consolidate the power of the State. (Colyar, 1914)

Supporting Colbert's criterion, taxes are necessary to generate wealth in a country, a country with low taxes is a poor country, however, research reflects that having excessive taxes generates discomfort in the people who pay them, to obtain a positive approach it is necessary to manage well how taxes are generated so that the people are happy and the state is prosperous.

The results suggest that while most participants have received some form of tax education, there is still a significant gap in the perception of the fairness of the tax system. This indicates that the quality and depth of tax education can be critical areas for improvement in Ecuador.

There is a clear need to improve the quality of tax education in Ecuador, ensuring that educational programs adequately address the complexities of the tax system and its implications for citizens. In addition, steps should be taken to improve transparency and accountability in tax management to strengthen taxpayer trust in government institutions.

According to authors such as Adam Smith and John Maynard Keynes, taxes are necessary to finance essential public services, such as education, health, infrastructure, and social security. These services directly benefit the population by providing access to goods and services that might otherwise be inaccessible to those with fewer economic resources. (Ricoy, 2005) Contrary to what these authors say, the research shows that it is still true that public services such as infrastructure, health, among others, are necessary, for the family economy the increase in taxes generates more problems than alternatives, since it is different to compare the national economy with the personal one.

In this sense, this article highlights the importance of strengthening socioeconomic education and promoting a positive tax culture as fundamental tools to improve the efficiency and equity of the tax system in Ecuador. To achieve this, a combination of education policies that improve access to quality education on financial and fiscal issues is required, as well as measures to increase transparency and trust in the tax system. By addressing these challenges in a comprehensive manner, we can move towards a fairer, more efficient, and more sustainable tax system that benefits all of Ecuadorian society.

Conclusions

The study explores the relationship between socio-economic education and tax culture from a socio-educational perspective in the Ecuadorian context. Through a mixed approach that combines qualitative and quantitative methods, it has been examined how the level of socioeconomic education influences the formation of tax culture and how this, in turn, can impact the fiscal behavior of Ecuadorian citizens; Therefore, the findings suggest that socioeconomic education plays a crucial role in promoting a strong tax culture and encouraging voluntary tax compliance.

Individuals with a higher level of socioeconomic education tend to have a stronger understanding of tax concepts and a greater awareness of the importance of taxation to the functioning of the state. In addition, they show a greater willingness to comply with their tax obligations and a more positive perception of the tax system in general. However, we have also identified significant challenges in promoting a strong tax culture in Ecuador. The country's socioeconomic and cultural diversity can lead to gaps in access to education and understanding of fiscal concepts. In addition, a lack of trust in government institutions and the perception of corruption can undermine efforts to promote voluntary tax compliance.

In Ecuador, where tax collection is crucial to financing social programs and public services, the promotion of a strong tax culture is critical to ensuring economic and social development. From a socio-educational perspective, it seeks to promote knowledge and awareness about the importance of paying taxes fairly and equitably. This involves not only providing information on how tax systems work and how they affect society, but also promoting values such as civic responsibility and solidarity.

Ecuadorians perceive taxes as a punishment imposed by the state, however, after having investigated, it can be concluded that the perception is erroneous regarding taxes, you have to generate capital to be able to invest it and taxes are that, in addition the increase in taxes is not well seen or accepted by citizens, But we must understand the need for the country to get out of debt and generate more sources of employment, which directly benefit everyone.

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