



## Tax collection for the budget in works of the GAD Portoviejo 2021

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**Abstract.** The objective of this research was to analyze the collection of taxes for the budget in works of the GAD Portoviejo 2021. The methodology used was documentary, with a qualitative-quantitative qualitative and descriptive approach; The method used was inductive. On the other hand, the search for the information was carried out online in Google Scholar, in the database of Scielo, Dialnet, Google Scholar. The population was made up of the documents registered under the format of theses/articles/books consulted, from which those that contributed to the expansion of knowledge were selected through criteria. The results refer to a significant decrease in tax collection between 2019 and 2020 by almost 9 percentage points; due to the effects of the COVID-19 health emergency at the global and national levels; Between 2021 and 2022, the increase of almost double the collection of taxes in this canton is detailed, which must

be returned to the community through improvements in works, services. It is concluded that the collection of taxes constitutes a fundamental economic income for the decentralized autonomous governments of our country. This collection becomes a source of income that allows the administration of the GAD's to transform the income into social investments that promote the sustainable development of the communities.

**Keywords:** collection, tax, GAD

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## Introduction

The Political Constitution of the Republic of Ecuador (2008) enshrines a series of guarantees in favor of citizens, to access Good Living, for this purpose principles and norms have been developed in order to promote sustainable development and equitable redistribution of resources and wealth, that is, social and economic equity for the inhabitants. On the other hand, rights such as education, health, food and social security are guaranteed for the inhabitants. To comply with rights and guarantees, the State seeks financial resources, which is why it is responsible for formulating development plans and administering public institutions.

That is, the resources that the State needs to fulfill its constitutional obligation, the management of its income and expenditures, to ensure the common good and provide the population with basic services come essentially from the taxes paid by taxpayers (Taxes). For this, the State can appeal to coercion through the pressure exerted by the laws and in their mandatory compliance, or to the reason given by a Tax Culture with solid foundations.

In this sense, the large part of the State's revenues is constituted by the tax base, these can be collected by the national, regional or local government. The governmental structure must resort to what is known as the activity of economic and financial management, always taking care of the proper use of it, for which the State has a whole regulation. (Donoso & Caza, 2020)

In this same line, it found that Ecuador obtains most of its tax revenues from tax collection, above income from oil exports, which is why they are the basis for fiscal sustainability, hence the tax culture should be promoted to contribute to the development of the country, since there is still a significant proportion of collection from interest on arrears and tax fines. that exceed the collection by Simplified Tax Regime (RISE), which paradoxically make up more than half of the total number of companies in the country.(Urrutia & Yanca, 2022) From the above it is understood that taxes allow the economic and social development of a country, as they constitute an instrument of great importance in tax revenues, in addition these influence the levels of allocation of income among the population, either by the taxes designated according to the different strata or by social spending, the latter being dependent on the proceeds.

The tax system requires all taxpayers to become aware of tax obligations, complete and declare their income tax annually and thus avoid the fines and interest generated by non-compliance established in the deadlines for declaring and paying. (Alvarez, 2018, p. 297)

However, according to the Organic Law of Municipal Regime in article 1, it is stipulated that the municipality is an autonomous political society but subordinate to the national legal order, which has as its central objective the common good of the locality and within it the attention of the potential needs according to its respective jurisdiction, . All have representative leaders whose obligation is to work for urban development and the decoration of their locality, planning and making the best decisions to self-manage economic resources, and meet the needs of all citizens; This will depend, of course, on the standard and quality of life of its inhabitants.

For this reason, efficient management is essential to guarantee the flow of these taxes. Thus, in the Organic Code Territorial Organization Autonomy Decentralization (2010) in article 172, it is established that management revenues are those that come from: taxes, fees and special contributions for improvements, sale of goods and services, income from investments and penalties, sale of assets of a non-financial nature and recovery of investments, in addition to those from other sources such as raffles, raffles and others.

Each GAD plans its development and formulates the corresponding ordinance plans in order to regulate the use and occupation of urban and rural land; plan, construct and maintain urban roads; provide public services for drinking water, sewerage, wastewater treatment, solid waste management and environmental sanitation activities; create, modify or abolish by ordinances, fees and special contributions of improvements; plan, regulate and control traffic and public transport within their territory; manage urban and rural real estate cadastres; among others.

In this sense, according to Alonzo & Delgado (2017) the Municipal Governments have under their tax jurisdiction the collection and collection of certain taxes, fees and contributions which become the resources of self-management that allow them to execute works for the benefit of their inhabitants; an adequate administration of the systems of issuance and collection of taxes constitutes the fundamental axis to achieve to capture resources in a Efficient and meet the unmet needs of the population The lack of dissemination of tax obligations and the destination of the resources collected has caused low growth since there is resistance to payment either due to ignorance of the values that must be canceled, as well as with respect to the works that are executed with these resources which encourages the payment of taxes by natural persons and Legal

This same assessment is supported by Bravo & Mera (2022) pointing out that one of the main problems faced by Municipal GADs is the low level of tax collection. The Municipal GADs are characterized by having a shortage of economic and human resources, the rulers in turn do not create a tax awareness in the community, nor raise

awareness of the importance of fulfilling their obligations, rather they offer in their political campaigns not to collect taxes, or in turn, they promise significant reductions.

These aspects have caused sectional governments to maintain a high dependence on transfers from the central government. The only way to strengthen the finances of the municipality is to increase its own revenues by collecting the taxes decreed in favor of the municipality, charging fair and equitable taxes, which at least cover the costs of the service delivered, including the cost of exemptions assigned for the financing of municipal public infrastructure works and defining policies or regulations for the recovery of the overdue portfolio.

In the Portoviejo canton, a study indicates that 99% of the citizens surveyed have felt unmotivated to comply with their tax obligations, while 1% have complied with them, without any problem, the demotivation comes from the communication deficiency that the municipality has with the citizenship, by not informing that the money is invested, on the other hand, they must demonstrate that the resources are being used effectively, in order to improve the quality of life of the inhabitants of the canton (Ruiz & Ubillus, 2021).

This same assessment is supported by Bravo & Mera (2022) indicating that greater tax collection is needed to respond to the delivery of better services to the city, in order to enhance the living conditions of citizens, since these taxes become a social investment resource for the canton.

With regard to tax collection, Coyago (2018), affirms that its timely payment is encouraged as a habit in the taxpayer, for which the Municipal GADs promote a tax culture under the slogan "the payment of taxes is not an obligation but a formal duty performed by each of the taxpayers" with the purpose of achieving equitable development in the canton and its parishes.

According to the Organic Code of Territorial Organization, Autonomy and Decentralization, the municipal GADs have their own and permanent sources to finance part of their annual budget, in this way, one of the main sources of financing are taxes. This is based on the fact that the Central Government seeks that the Municipal GADs strengthen their capacity to generate their own resources through efficient and effective collection, among other factors (COOTAD, 2010).

Based on the above, and contextualizing this research, it is necessary that, particularly the Cantonal Directorate of Territorial Development aims to execute and supervise quality works, in a programmed and efficient manner, complying with all regulations, standards and laws; promoting the development of construction processes with strict adherence to technique; care of the environment, and occupational safety, incorporating new technologies and permanently improving the service to citizens provided, with the sole purpose of continuous improvement of the physical infrastructure of the canton (Vera, 2018).

## **Methodology**

### **Research focus**

This study was framed in a documentary research, with a qualitative and descriptive approach. According to "a descriptive design aims to investigate the incidence and values in which one or more variables are manifested and provides their description" (p.193). Likewise, the aforementioned authors point out that a study is qualitative because it seeks to understand a complex social phenomenon and, beyond measuring the variables involved, it seeks to understand it (p.190). (Hernández, Fernández, & Baptista, 2014)

On the other hand, a documentary research, in estimates of "is the one that is carried out based on review of documents, manuals, laws, magazines, newspapers, scientific proceedings, conclusions and seminars and / or any type of publication considered as a source of information" (p.130), the aforementioned will allow to describe the collection of taxes for the budget in works of the GAD Portoviejo 2021(Tamayo & Tamayo, 2007)

### **Method**

The method used is the inductive, because it allows generalizations with a view to expanding knowledge about the subject of interest of this inquiry, they expose "it is applied in the principles discovered to particular cases, from a link of judgments" (p. 107). In the same way, the deductive method will be used, by virtue of which the study will be carried out from the reality object of study to then describe the reality in the particular context where the research is developed. (Hernández, Fernández, & Baptista, 2014)

For its part, the search for information will be carried out online in Google Scholar, in the database of Scielo, Dialnet, among others, digital repositories of national and international universities, electronic databases of national and international organizations related to the subject, international instruments and national normative documents.

- Population under study

The criteria for selecting studies will include: master's works, books on the variable under study, doctoral theses, laws, regulations, research articles, presented in full manuscript and in Spanish, as well as any document emanating from official pages.

In this way, the population will be conformed by the documents registered under the format of theses / articles / books / laws consulted to obtain the relevant information for this study. In this sense, they point out that "the population in an investigation is the set of units from which information is desired and on which conclusions will be generated" (p. 105). (Hernández, Fernández, & Baptista, 2014)

Thus, the results will be selected taking into consideration the descriptors that combine the keywords "taxes" "GAD" "public works". Of which an intentional non-probabilistic sample was defined, defined as: "a subgroup of the population in which the choice of elements does not depend on probability but on the characteristics of the research" (p. 241), which is aimed at specific subjects selected for the particularities of the study, information available. For this purpose, the research sample will be constituted by the documents whose contribution and importance will be considered as the most relevant and valuable in the provision of information for this inquiry. (Hernández, Fernández, & Baptista, 2014)

The inclusion criteria: articles related to the subject under study in the last 10 years, Spanish language and available in full text.

Exclusion criteria: duplicate articles, a language other than Spanish, more than 10 years of publication

In relation to the techniques and instruments of data collection, for this research will be the technique of documentary or bibliographic observation. Additionally, documentary analysis and content analysis will be used, because they are an integral part of any research, in order to facilitate the development and understanding of the subject. Thus, the documentary analysis matrix is a research technique for the systematic and quantitative objective description of the content of publications, in order to interpret them (p. 287).(Sierra Bravo, 2007)

## Results and discussion

The process of analyzing the results includes the review of data from government entities that are the reliable reference of the information on GAD Portoviejo.

### Board 1

#### Evolution of monthly collection in 2022, compared to the same months of the previous year

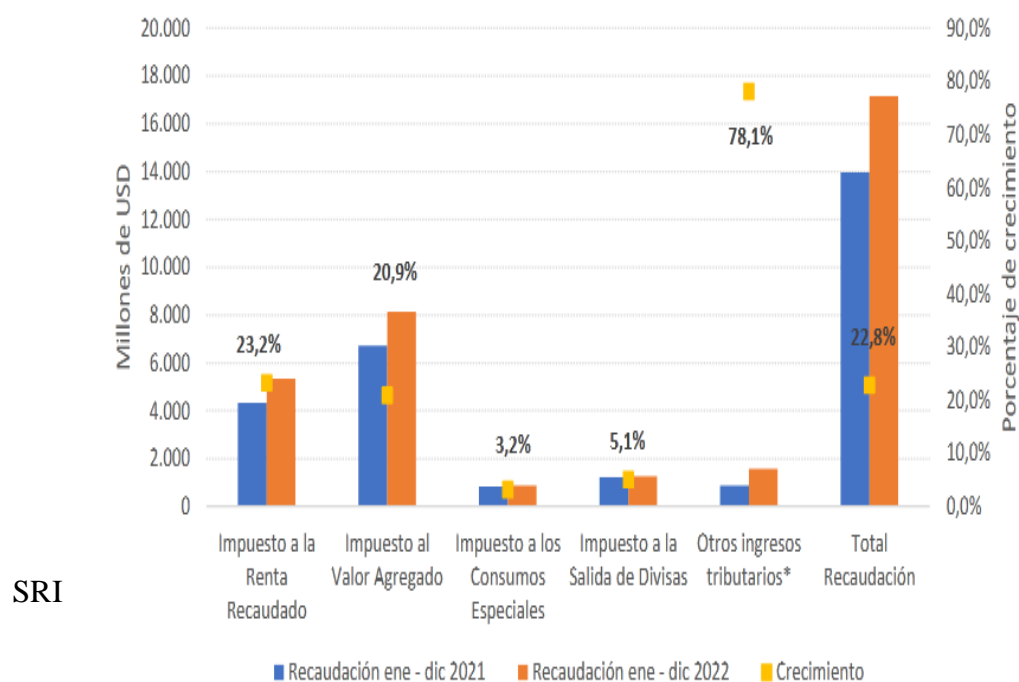
MES	RECAUDACIÓN		Variación Nominal	Variación Relativa
	2021	2022		
ENERO	1.303	1.556	253	19,40%
FEBRERO	945	1.036	91	9,70%
MARZO	1.200	1.873	673	56,10%
ABRIL	1424	2.191	766	53,80%
MAYO	1.064	1.331	267	25,10%
JUNIO	1053	1.262	208	19,80%
JULIO	1.100	1.242	142	12,90%
AGOSTO	1073	1.291	218	20,30%
SEPTIEMBRE	1.226	1.397	171	13,90%
OCTUBRE	1163	1.306	143	12,30%
NOVIEMBRE	1.174	1.300	126	10,80%
DICIEMBRE	1249	1.379	130	10,40%
<b>TOTAL ACUMULADO</b>	<b>13.976</b>	<b>17.164</b>	<b>3.187</b>	<b>22,80%</b>

SRI Database

Cut-off: December 31, 2022

**Illustration 2**

Evolution of monthly collection in 2022, compared to the same months of the previous year



SRI

Database

Cut-off: December 31, 2022

In 2022, Ecuador experienced a 22.8% growth in collection, going from USD 13,976 million in 2021 to USD 17,164 million in 2022. This result was generated due to the post-COVID economic reactivation, a high growth in sales by prices and the good management of the tax administration.

However, it is necessary to point out that part of the growth in sales and imports, which then translates into higher revenues, is due to a growth in prices, driven by several external factors (post-COVID growth of global demand, container crisis, oil prices, confinements in China, war in Europe), so a fall in demand for elastic products is foreseeable. Therefore, the rate of growth in revenue collection may not be sustainable in the medium term.

However, specifically in the Portoviejo Canton it was possible to investigate the tax declaration, finding the following:

**Board 1. Comparison of tax collection during 2019-2021**

Years of collection	Total Collection
2019	54.271.332
2020	45.095.526
2021	56.558.813
2022	74.432.419

Source: SRI Database

The decentralized autonomous government (GAD) municipal of Portoviejo, is an autonomous legal institution with public law, which is managed independently in the political, administrative and financial spheres, through the collection of taxes, fees and special contributions that are based on tax regulations. However, tax collection depends on the tax awareness of taxpayers, a discernment that is formed and encouraged through constant training by the regulatory entity (Estévez, and Rocafuerte, 2018). This collection is the fundamental basis that municipal GADs have for social investments that contribute to improving the quality of life of Ecuadorians.

Based on the above, it is observed that there is a significant decrease in tax collection between 2019 and 2020 almost 9 percentage points; due to the effects of the COVID-19 health emergency at the global and national level, this is due to the restrictions that were generated in the country by the decisions issued by the National Government through the decree of state of emergency and the provisions of the National Special Operations Committee. However, by 2021 these same points were resumed by going from 45 million to 56 million in one year. When observing the difference between 2021 and 2022, the increase of almost double the collection of taxes in this canton is detailed, which must be returned to the community through improvements in works, services.

However, when observing the statistics on tax collection, it has been found that particularly in relation to the works in through the GAD Portoviejo portal in its annual report:

**Board 2. distribution of taxes in works GAD Portoviejo**

Plan - project	Planned budget	Budget implemented
Street improvement with granular material	212,047.04	201,444.69
Cleaning of rainwater channels in various sectors	178,470.00	169,546.50
Repair and reconstruction of sidewalks, curbs and cobblestone streets	30,000.00	24,000.00
Asphalt primer with sand irrigation	Deprioritized	0
Street improvement with asphalt patching	288,189.67	273,780.19



Public works as indicated (Zambrano, 2019) are the responsibility of the public sector as National Government through its Ministries, and of the Municipalities, in the case of works carried out by the Municipality such as streets, green areas, parks, sidewalks, curbs, drinking water and sewerage, and others, generate well-being among its inhabitants, and has a direct impact on the value of the property. Because there is a public infrastructure in a certain place, immediately rise the prices of land in that place and also taxes.

These results reflect that for 2021, the budgeted projects were covered almost in their entirety, despite the fact that due to the effect of the health pandemic, only three quarters were worked, the annual indicator was exceeded (Navas, Peña, Silva Álvarez & Mayorga, 2022).

On the other hand, in relation to the realization of works, the budget allocated from the collection of taxes, also contemplated the use of equipment for the improvement of streets in a granular state and asphalt patching, by replacing damaged GAD machines.

An example of the above is what has been pointed out by (Mendoza, et al., 2020) when it states that the level of increase in taxes and municipal fees in the City of Portoviejo has increased by 25% with respect to urban properties, due to the investment in public infrastructure that the Municipality has allocated, such as the construction of La Rotonda Park, Las Vegas and other works such as paved streets, etc.

## **Conclusions**

The GAD are responsible for planning, managing and executing their own resources in order to solve each of the needs required by the communities in question to public works, basic services among others, exercising the capacities and competences attributed by the COOTAD in complementarity with the Constitution that promotes territorial development and change to good living

The collection of taxes forms a fundamental economic income for the decentralized autonomous governments of our country. This collection becomes a source of income that allows the administration of the GAD's to transform the income into social investments that promote the sustainable development of the communities.

The collection of taxes is the fundamental basis that municipal GADs have for social investments that contribute to improving the quality of life of Ecuadorians, since these taxes, in addition to being means to collect public revenue, 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.

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