

Corporate tax fraud and public current income in the northern commercial sector of Guayaquil. A qualitative approach

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Abstract

Tax fraud is a very large problem within the economies of Latin America and Ecuador, it is no exception; the northern commercial sector of the city of Guayaquil was located as the object of study, which presents a problem with a limited current income due to tax fraud, raising as main objective: to characterize the relationship between corporate tax fraud and public current income in the period 2018-2020. The research design is qualitative. The interview technique was used and applied to ten experts chosen for convenience. The results show that tax evasion is an evasion mechanism that directly affects current revenue and affects the funds available to the State to improve strategic sectors for the benefit of society in general. It is concluded that the general objective was met, recommending that there should be greater tax control by the competent national body and studies should be conducted to help estimate efficient calculation mechanisms for tax evasion and money laundering that affect the economy of Guayaquil.

1. Introduction

Currently, the set of practices aimed at avoiding tax obligations has triggered a series of strategies used by taxpayers, and that, sometimes are allowed by the same law and are protected under the Constitution of the Republic of Ecuador, because there are some legal loopholes, that are taken advantage of to directly violate the payment of taxes, or decrease their contribution, added to the fact that the tax regulatory body does not comply with the proper logistics of controlling tax evasion and money laundering that generate the constitution and positioning of fraudulent companies in Ecuador increasing tax fraud. (Aguirre, 2019)

The present topic has been raised after observing the problem of corporate tax fraud, which in turn causes tax avoidance in the northern commercial sector of the city of Guayaquil, which causes an impact on the current income of this sector, triggered by a series of factors that will be studied throughout the development of this research.

The damage to the State has always been marked in any context, whether national or international, both companies and individuals have sought strategies to reduce or not pay in full the corresponding taxes, in this way they evade the Tax Administration, through their control entities, causing great damage to the State and the regional economy. One of the most common forms of tax evasion and money laundering is the creation of productive units that appear as legal within the market, and are called shell companies; with various ways of operating, they use low-price strategies and offers that attract customers to take possession within the market and in the short or medium term disappear. This strategy began in the mid-nineteenth century, in the old continent, because there was a difficulty for commercial exchange, the various languages of entrepreneurs hindered transactions, in this way, ways to carry out tax avoidance arise, with time it becomes illegal, expanding to all Latin America and the Caribbean, Consolidating this illicit way to remain on a large scale, it should be noted that these companies mostly do not have a physical space that determines their operation. (ECB, 2019)

In this context, the main objective is to describe the characteristics of corporate tax fraud and public current income within the northern commercial sector of the city of Guayaquil, in the period 2018-2020.

2. Research method

The design of the research is qualitative, using the technique of interviewing experts. According to the field information carried out, it is known that in Guayaquil there are 40 experts in taxation and public finance, who are dedicated to the specific analysis of corporate tax fraud and its damage to the Ecuadorian State. (Sampieri, 2018). Convenience sampling was used to apply direct interviews with ten experts and thus obtain extended and detailed information on the problems to be studied.

Qualitative method: This method was used because it explains, describes, and details the problem at a theoretical and practical level, citing the bases and sources of information that strengthened the research. (Sampieri, 2018)

Bibliographic method: Direct and indirect sources of information, help texts and scientific articles from doctoral works were used.

3. Results and discussion

Research results

In Ecuador and especially in Guayaquil, there is a high tax ignorance, entrepreneurs who become entrepreneurs have been dragging this problem since its inception because there is a deficit in the tax culture that citizens have because it is known that the contributions made to the State through the Internal Revenue Service serve to boost the national economy, Generate liquidity and employment, improve business conditions and because the same working capital will serve to generate territorial economic development.

According to the interviews conducted with the experts, it is concluded that tax fraud in the commercial sector is produced by multiple factors, such as the lack of tax culture among taxpayers, many of them do not know about tax administration, management of virtual platforms, payment of fees to professionals or experts in taxation and easy and timely access to digital media. Likewise, regarding money laundering, they stated that there are 76% of companies that have remained in the market for a short time, considered fraudulent. Complaints of fraud in the Prosecutor's Office against legal and natural persons represent 35%, causing serious damage to the State that needs public revenues to meet social needs.

Non-tax revenues are vital in the northern commercial sector of the city of Guayaquil, because they generate employment and improve the income of families, boosting the market. In the interview with the experts, they affirmed that current income is vital for the maintenance of the popular and solidarity economy since they generate liquidity and boost the national productive apparatus and the sector. In the interview on non-tax revenues, the experts said that they are revenues that come from the payment of a good or service, and are an indirect contribution through fees or fines and that they help boost the State's liquidity for works and infrastructure improvement.

Discussion of results

This research coincides with the studies carried out by Naranjo (2019), who states that in Ecuador there is tax fraud because the population mostly does not know when to declare, resulting in a particular characteristic, in which there is the intention of harm, that is, knowing that non-payment causes damage, they do it. It also coincides with the authors Paredes and García (2021) who point out that one of the reasons why there is tax fraud is the ignorance and lack of tax culture within taxpayers, causing instability in the sector and high prices of products caused by speculation, one of the particular facts were the lack of mechanisms that contribute to declare; Likewise, the authors Paredes and García (2021) in the results of money laundering also agree with this investigation by stating that there have been companies that do not

remain long within the market and are considered ghosts, and most appear in the complaints of the State Attorney General's Office since they offered non-existent products and/or services. Álvarez (2020) affirms that those who violate legal norms have a covert and deliberate character; in Alvarez's research, no other characteristics different from that of the present investigation have been discovered

Likewise, this research coincides with the theory presented by ECLAC (2020), which characterizes tax avoidance and coincides that it is due to the lack of tax culture in the population, to this is added that digital access and platforms are restricted. Regarding money laundering, the report states that there is a divergence with the information collected, stating that Ecuador registers 15% of companies that launder money, while in the data of this investigation they are in the order of 76% of companies that launder money, however, if compared with the countries that ECLAC exposes in its report, it can be said that it is similar to Panama, whose study registers 65% of companies that launder money in that country. Likewise, the study by Sánchez, Jiménez, and Úrgiles (2020) coincides with the characterizations of tax fraud and avoidance, which is given by the ignorance of the tax regulations, the complexity of the system, and differs from this study in the indicator of informality and the contrast between laws and established policies since this research does not address these indicators. Finally, the UAFE (2020) issues a report on money laundering, which coincides with that of this investigation, stating that the data of these companies are false and do not have the approval of regulatory and control entities, as the interviewees explained in this study.

In the present scientific work, it has been determined that the main characteristic of current income is the lack of tax knowledge in taxpayers, which is why they do not declare and evade taxes; In the interview that was carried out, the experts affirm that this income is a fundamental pillar to boost the local and national economy, and when there is such avoidance, it is harmful to the treasury, because social projects stop and/or slow down, generating a paralysis of social activities. This work coincides with that of Solines (2018), who states that current income contributes to boosting the local and national economy, and in his interview, he stated that the tax burden is low, so it limits public current income; Likewise, Otavalo (2022) in his interview stressed that there are no controls on the part of the tax administration, which leads to limiting current income flows.

This research is conclusive and coincides with what ECLAC (2020) stated, which determines the tax burden for Ecuador in the order of 20.6% according to OECD (2020), which calculated it at 19.1%. Both studies, by ECLAC and OECD, agree with this research, which shows a tax burden of 20.2%.

4. Conclusions

Tax fraud is committed as a result of two important factors: ignorance of the taxpayer and lack of tax culture. The first aspect refers to the limited access to information that natural persons have through legal channels (website, internal revenue service, official social networks, among others), so they do not know when to declare. Meanwhile, the second important aspect emphasizes the intention of harm, producing a domino effect in the northern commercial sector of the city of Guayaquil, doing so deliberately, causing damage to the national and local State.

Tax avoidance is the harmful intention that causes a restriction in the collection of taxes in the State, and is part of tax fraud. Taxpayers avoid paying taxes alleging the difficulty of access to virtual platforms, especially that of the internal revenue service, the absence of training by the tax administration, make these declarations not properly made, so taxpayers on several occasions have had to look for third parties to comply with tax obligations, directly promoting tax avoidance due to lack of knowledge in platform management, dates, mechanisms, payment options, among others.

Money laundering within the northern commercial sector of the city of Guayaquil is evident since there have been companies that have benefited others for their creation, even having complaints in the State Attorney General's Office, have bought non-existent products, even physically they are not legally constituted, their way of operating is through false web pages, and misleading social networks, in which taxpayer records are false, doing direct damage not only to the local market but nationally.

Current revenues are still insufficient to finance the achievement of the objectives of the State, linked to Sustainable Development, and this is mainly due to the lack of knowledge that taxpayers have in the declaration of direct and indirect taxes, the lack of training for natural persons and the management of virtual environments are also characteristics that limit the declaration of taxes and therefore contribute to not considerably increase current income. in the northern commercial sector of the city of Guayaquil.

Tax revenues are part of current revenues, and are characterized by being mandatory and imposed unilaterally by the State, are enforceable and non-compliance is punishable, causing damage not only to the commercial sector but to the local and national economy. All this range of taxes falls on the final consumer, and it is concluded that the lack of tax culture is an aspect that is evident in the sector, where third parties are making the declarations of microentrepreneurs.

Non-tax revenues come from the payment of a good or service and are an indirect contribution through fees or fines, and that help boosts the liquidity of the State for works and infrastructure improvement, these

flows are limited in the northern commercial sector of the city of Guayaquil, and taxpayers assume that the contribution of these items is damage done to the sector because they do not let them progress and take away their profits; demonstrating a lack of culture and tax management of taxpayers because it is not visualized as a correct redistribution of wealth, since the State is responsible through the tax administration to better channel these flows.

Declaration of the jurisdiction of interests

The authors declare that they have no known financial or non-financial competing interests in any material discussed herein.

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