

Urban property tax and public finances in the municipality of Isidro Ayora - Ecuador

Imposto predial urbano e suas finanças públicas no município do cantão Isidro Ayora - Equador

Impuesto predial urbano y sus finanzas públicas en la municipalidad del cantón Isidro Ayora - Ecuador

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Manabí. Jipijapa, Ecuadorfabian.barcia@unesum.edu.ec**ABSTRACT**

One of the most important municipal taxes paid annually is the urban property tax, the collection of which will be of great contribution to pay for public works that a community demands. The research was carried out with the objective of analyzing the collection of urban property tax that contributes to the public finances of the Decentralized Autonomous Government of Isidro Ayora canton, therefore, the factors that had been presented to influence its collection were diagnosed. The methodology used is non-experimental and uses a mixed quali-quantitative approach with descriptive, correlational and empirical methods, and the techniques used were a survey of 358 taxpayers and an interview with the head of revenue, which showed that there is a strong relationship between property tax and public finances, There are also internal factors that are based on the collection processes, on the other hand, external factors such as the low tax culture and economic resources that the users have, in conclusion, the property tax is important within the public finances to pay for the works in a community, there are also negative factors that influence the compliance with the payment based on the urban property tax.

Keywords: Tax culture, public finances, property tax.**RESUMO**

Um dos impostos municipais mais importantes que se paga anualmente é o imposto predial urbano, cuja arrecadação será de grande contribuição para custear as obras públicas que uma comunidade exige. A investigação foi realizada com o objetivo de analisar a arrecadação do imposto predial urbano que contribui para as finanças públicas do Governo Autônomo Descentralizado do cantão Isidro Ayora, portanto, foram diagnosticados os fatores que foram apresentados para influenciar sua arrecadação. A metodologia utilizada é não experimental e utiliza-se a abordagem mista quali-quantitativa com os métodos descritivo, correlacional e empírico, além das técnicas utilizadas foram o levantamento de 358 contribuintes e uma entrevista com o responsável pela renda onde foi evidenciou-se que existe uma grande relação entre o IPTU e as finanças públicas, também que existem fatores internos que se baseiam nos processos de arrecadação, por outro lado, fatores externos como baixa cultura tributária e recursos econômicos que os usuários possuem em conclusão o imposto predial é importante nas finanças públicas para custear as obras de uma comunidade, além disso existem fatores negativos que influenciam o cumprimento do pagamento com base no imposto predial urbano.

Palabras clave: Cultura tributária, finanças públicas, imposto predial.**RESUMEN**

Uno de los tributos municipales más importante que se paga anualmente es el impuesto predial urbano del cual su recaudación será de gran aporte para costear las obras públicas que demanda una comunidad. La investigación se efectuó con el objetivo de analizar la recaudación de impuesto predial urbano que contribuya a las finanzas públicas del Gobierno Autónimo Descentralizado del cantón Isidro Ayora, por lo tanto, se diagnosticó los factores que se habían presentado para influenciar en su recaudo. La metodología empleada es no experimental y se utiliza el enfoque mixto cuali- cuantitativo con los métodos descriptivo, correlacional y empírico, además las técnicas que se usaron fueron la encuesta a 358 contribuyente y una entrevista a la encargada de rentas en donde se evidenció que existe una gran relación entre el impuesto predial y las finanzas públicas, también que existen factores internos que se basan en los procesos recaudatorios, por otro lado, los factores externos como la baja cultura tributaria y recursos económicos que tienen los usuarios en conclusión el impuesto predial es importante dentro de las finanzas públicas para costear las obras en una comunidad, además existen factores negativos que influyen en el cumplimiento del pago en base al impuesto predial urbano.

Palavras-chave: Cultura tributaria, finanzas públicas, impuesto predial.**ARTICLE HISTORY****Received:** 11-05-2022**Revised Version:** 24-08-2023**Accepted:** 30-08-2023**Published:** 30-08-2023**Copyright:** © 2023 by the authors**License:** CC BY-NC-ND 4.0**Manuscript type:** Article**ARTICLE INFORMATIONS****Science-Metrix Classification (Domain):**

Economic & Social Sciences

Main topic:

Urban property tax

Main practical implications:

It brings original empirical experience by analyzing the collection of urban property tax and its impact to the public finances.

Originality/value:

A theme that is rarely addressed in Ecuador that could guide future new research or public finances tax policies.

INTRODUCTION

In the municipalities, one of the taxes collected annually is the property tax, which is levied when people obtain a real estate property, which must be recorded in the property registry together with an appraisal certificate (Surco, 2022). The municipalities are regulated by the Constitution of the Republic of Ecuador (Art 238-241) and the Organic Code of Territorial Organization, Autonomies and Decentralized (COOTAD, 2010) The same is in charge of establishing functions for the municipality through ordinances (Garcia, 2022).

The research work was carried out based on the collection of property tax and its relationship with public finances, considering the importance of this tax in the municipality of Isidro Ayora because it is the one that generates the most income to pay for public works, although in its collection in recent years there have been deficiencies, for such situation was intended to investigate the factors that influence compliance with the urban property tax in this way contribute with relevant information of what is happening so that public servants make decisions to improve the collection.

The problematic situation that has been found in the Decentralized Autonomous Government of Isidro Ayora Canton is the low collection of property tax and the effect it has on public finances since for reasons of pandemic taxpayers had prolonged the payment of urban property tax, although in 2021 users were already approaching the aforementioned government to pay their tribute, the number of users who have not paid the tax was considerable.

The main factors for the apparent achievement and good performance in terms of collection in some areas, are the socioeconomic conditions of a local government, intergovernmental transfers, work on updating cadastres and a uniform municipal administrative system, however these measures adopted were not successful. Villafuerte de la Cruz et al., (2021) argues that there is a significant relationship between socioeconomic factors and property tax collection in the municipalities, i.e., if the socioeconomic level is high, property tax collection also improves. The equanimity and tax system in Latin America, where the hidden differences and unevenness excuse by itself that it is necessary to examine the existing linkage between equity and tax policy, so that it can extend public interference to restore its distributive effect. In the last ten years, the controversy over social inequality has come to occupy a very important place in the public debate. The use of new methodologies and information made it possible to acquire new evidence for the advancement of appropriate methods. However, other tax reforms that multiply the level of collection and contribute to redistribution are still in the pipeline" (Jiménez, 2017, p. 52).

In the Decentralized Autonomous Government of the Isidro Ayora canton, urban property taxes are a fundamental part of public finances and these can only be used for public works but not for personnel payments, also within the year 2020 the collection was \$33,204, 15 and in 2021 it is \$43,924.91 where a variation of \$10,720.76 is appreciated, which is a considerable value. With the collection of taxes in both periods, works such as paving streets, construction of municipalities and park repairs are still being paid for, therefore, the payment of this tribute is essential to cover these expenses and others necessary for the community.

The object of the research is the collection of property tax while the field of study is public finance and its interaction with the collection of urban property tax, the objective of the research is to analyze the collection of urban property tax that contributes to the public finances of the Decentralized Autonomous Government of the canton Isidro Ayora, for this reason the factors that influence the fulfillment of the property tax were diagnosed.

The question we tried to answer is why taxpayers are not complying with the payment of urban property taxes and how this affects the public finances of the Decentralized Autonomous Government of Isidro Ayora Canton, in order to know what is happening inside and outside the municipality that influences the payment of urban property taxes.

METHODS

Type of research

The research is non-experimental with a mixed qualitative-quantitative approach using descriptive, theoretical, correlational (SPSS program) and empirical methods, in addition to the survey and interview techniques.

This research work is not experimental, cases have been considered where both variables will not be manipulated, they do not change, it will be based solely on the observation of events that happen in the non-experimental research experience was considered to understand the problem in its real context.

In the mixed qualitative-quantitative approach, the qualitative approach was used to collect information which is found in the theoretical basis where knowledge was acquired to conduct the survey and interview questions; on the other

hand, the quantitative approach was used to verify the results obtained on a statistical basis.

The descriptive method specifies the characteristics of the object and field study that was carried out in the research in the Decentralized Autonomous Government of the canton of Isidro Ayora, also used the correlational method where the SPSS program was used and by means of the Pearson correlation by objectives the relationship that they had was verified.

In the theoretical method, a review was made of theories and research on the subject that had already been carried out in order to base the research work on these bases. Finally, the empirical method was used so that the research would follow its chronological sequence with the historical-logical method, in addition to the references used in the bibliography.

Data collection techniques and instruments

Through the interview, relevant information has been obtained on the negative internal factors that are present, which is why there is not a good process of urban property tax collection, where the answers were obtained by the head of the Department of Revenue in the Decentralized Autonomous Government of Isidro Ayora canton. Another of the instruments used for data collection is the survey of taxpayers to find out what factors influence them not to pay the urban property tax and prolong non-compliance with the tax.

Population and research sample

The population of the Isidro Ayora canton that contributes to the urban property tax is 5307, of which a sample was made with the finite population formula, resulting in 358 users to be surveyed, and through Cronbach's Alpha, a reliability of 85.2% of the 16 questions that were asked to the taxpayers who pay the urban property tax was obtained.

Research variables

Independent variable: Urban property tax collection

Dependent variable: Public finances.

RESULTS AND DISCUSSION

Survey reliability

Using statistical analysis of the SPSS program, a reliability of 85.2% in Cronbach's alpha was obtained, which means that the survey questions that were asked give the certainty of being reliable to opt to carry out the research and therefore to continue with the research, and also that it gives reliability to the research because it exceeds 60%.

Table 1. Reliability

Reliability statistics	
Cronbach's alpha	N of elements
85.2%	16

Source: Research data analysed through SPSS program

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General discussion

According to Suarez, Palomino, & Aguilar (2020) In the research of Chapiama, on the other hand, the economic interest given to the collection of municipal taxes is very low, in addition to the fact that taxpayers do not have a tax culture. (2020) there is a coincidence in that taxpayers do not have a tax culture and that is why tax evasion is prolonged.

Within Carranza's research (2020) it is recognized that in the municipality property taxes are important to have a greater collection, in addition a good collection system should be implemented in order to achieve the objectives of the entity which is to help in the improvement of a canton, on the other hand Valle, Moreira, Saltos, & Mera (2022) agree with Carranza's criteria that taxes are indispensable for the development of society, but nevertheless, taxpayers of the

Decentralized Autonomous Government of Isidro Ayora canton give little importance to the urban property tax, with the result that 18.2% of taxpayers do not believe that the property tax is so important and 28.5% of users consider it to be of little importance, the result is that 18.2% of taxpayers do not consider property tax to be important, 28.5% of users consider it to be of little importance, 24.6% consider it to be moderately important, 22.6% consider it to be important, and finally 6.1% believe it to be very important.

Table 2. Importance of the property tax

Alternative	Frequency	Percentage
No Significance	65	18.2
Of little importance	102	28.5
Moderately Important	88	24.6
Important	81	22.6
Very Important	22	6.1
Total	358	100.0

Source: Property taxpayers of the Autonomous Decentralized Government of Isidro Ayora Canton.

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According to Camacho, Hurtado, Navarro, Hurtado, & Nieves. (2019) in Colombia, strategies based on property tax collection are in place, but they are not restructured and remain the same; on the other hand, managers do not believe it is necessary to design a collection system. In Ecuador, through an interview with the managers of the municipality of Isidro Ayora, it was found in question 5 that they do have strategies for property tax collection, but they do not implement them, and in both countries there is a lack of interest on the part of the managers to implement them, The survey results show that 27.7% totally disagree, 16.8% disagree, 26% neither agree nor disagree, 13.4% agree and 16.2% totally agree.

Table 3. Importance of strategies

Alternative	Frequency	Percentage
Strongly disagree	99	27.7
Disagree	60	16.8
Neither agree nor disagree	93	26.0
Agreed	48	13.4
Totally agree	58	16.2
Total	358	100.0

Source: Property taxpayers of the Autonomous Decentralized Government of Isidro Ayora Canton.

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According to Arnold, Ramírez, & Gonzales (2022) According to Arnold, Ramirez, & Gonzales (2022), through the results obtained in their research a percentage of 57.86% have a tax culture of 100% unlike the data obtained in the survey of taxpayers in the canton of Isidro Ayora in question 2 users do not comply with property taxes 18.2% because taxpayers do not believe that property tax is so important, in addition to 28, On the other hand, 24.6% consider it to be moderately important, 22.6% important and finally, 6.1% believe it is very important, in which it can be observed that its percentage value is the lowest because they think that the property tax is not the only one that generates greater income within the entity and that the funds are used for profit-making purposes.

According to Valle, Moreira, Saltos, & Mera (2022) According to Valle, Moreira, Saltos, & Mera (2022), collecting money is important to generate income in a municipality and is destined for public works, but taxpayers consider that only the patent tax is more relevant than the property tax because this tax is related to the economic activities of the community, for which it must be paid on time in order to have access to a permit for the operation of a business, although all taxes are important but the property tax is the one that generates the most economic resources.

It was found that the municipal tax that taxpayers consider most important is the patent tax with 37.7%, followed by

the property tax with 19.3%, with 18.2% is the alcabalas tax, the public entertainment tax with 16.8% and finally the capital gains tax with 8.1%.

Table 4. Importance of revenues

Alternative	Frequency	Percentage
Capital Gains Tax	29	8.1
Taxes on Alcabalas	65	18.2
Tax on public entertainment	60	16.8
Patent Tax	135	37.7
Property Tax	69	19.3
Total	358	100.0

Source: Property taxpayers of the Autonomous Decentralized Government of Isidro Ayora Canton.

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With reference to Quispe, Marcial, Roque, Hugo, & Marca (2020) certain factors that influence the collection of property tax is the tax culture, because the knowledge of the tax issue is deficient in taxpayers, but nevertheless for García (2021) economic resources are essential for users to pay their property taxes.

Similarly, agreeing with García in the survey, it was obtained as a result of consideration by the taxpayers that the factor that affects their non-compliance is the economic resources and in second place the deficiency of tax culture as an external factor, on the other hand, as an internal factor through the interview the result was the policies since through the ordinances the tax rises or some rate that is linked to the property tax.

Table 5. Property non-compliance factors

Alternative	Frequency	Percentage
Lack of Tax Culture	86	24.0
Low Financial Resources	195	54.5
Development Level	77	21.5
Total	358	100.0

Source: Property taxpayers of the Autonomous Decentralized Government of Isidro Ayora Canton.

Any person who has reached 65 years of age and has a monthly income estimated at a maximum of 5 basic unified remunerations or who has assets not exceeding 500 basic unified remunerations, will be exempted from the payment of fiscal and municipal taxes.

The exonerations only apply to people over 65 years of age and do not pass with income of 5 basic remunerations as stipulated in art 14 of the Organic Law of the Elderly, also who have requested the exemption form and disabled, depends on the percentage of disability to be a beneficiary, but is only exonerated from property tax but not the rate of continuous improvement, firefighter, emission, street cleaning and non-built lots. (Ley Organica de las Personas Adultas Mayores, 2019)..

Taxpayers who do not know anything about the tax exonerations of the properties are 35.5%, very little 31.3%, not very little 16.5%, 7.3% and 9.5%, this is because the GAD does not inform the taxpayer about the exonerations, besides, there are also deductions and both are applied in certain cases, therefore, some people do know about it because they have relatives or friends who enjoy this benefit.

For Castañeda (2022) In his research, tax culture is the behavior of people and how they fulfill their tax obligations and based on the service provided, even if it is not adequate, it is not an excuse for not complying with a tax that must be paid because it is used to pay for works within the community.

The results are negative, as taxpayers are not very satisfied with the service provided in terms of property tax collection (39.4%), those who are dissatisfied (13.1%), somewhat dissatisfied (20.1%), those who are satisfied (17.3%) and totally satisfied (10.1%).

Table 6. Satisfaction with customer service

Alternative	Frequency	Percentage
Totally Dissatisfied	141	39.4
Dissatisfied	47	13.1
Somewhat Satisfied	72	20.1
Satisfied	62	17.3
Fully Satisfied	36	10,1
Total	358	100.0

Source: Property taxpayers of the Autonomous Decentralized Government of Isidro Ayora Canton.

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FINAL CONSIDERATIONS

There is a strong relationship between urban property taxes and public finances, since the collection of these taxes generates funds to finance the expenses for public works carried out by the Decentralized Autonomous Government of Isidro Ayora Canton.

An external factor is that taxpayers are deficient in terms of tax culture and have low economic resources, while internal factors are constantly changing and sometimes increasing tax and fee policies.

The results of this article will serve as a fundamental contribution in providing taxpayers with knowledge based on property taxes and the importance of collecting them in the Decentralized Autonomous Government of the canton of Isidro Ayora in Ecuador.

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B. data research and statistical analysis:	30%	30%	30%
C. elaboration of figures and tables:	30%	30%	30%
D. drafting, reviewing and writing of the text:	30%	30%	30%
E. selection of bibliographical references	30%	30%	30%
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