

## ANALYSIS OF THE TAX REGIME FOR MICROENTERPRISES (RIMPE) IN THE ECONOMIC GROWTH OF MICROENTREPRENEURS IN ZONE 5, ECUADOR IN 2023.

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### ABSTRACT

The analysis also highlights the importance of addressing knowledge gaps about RIMPE, with half of respondent's neutral in their understanding. It highlights the need for effective educational strategies to improve the accessibility of information and ensure wider understanding among the population. Expectations of "big improvements" from one-third of respondents underscore the importance of a proactive approach to addressing the concerns and expectations of the population, thus ensuring successful implementation and greater acceptance of tax reforms in the future. In summary, the landscape reflects the complexity of citizen perceptions, highlighting the need for more effective communication, ongoing citizen participation, and detailed evaluation to ensure the success and acceptance of tax policies in Ecuador. Although there is moderate overall satisfaction with tax reforms, neutrality on key issues such as transparency, understanding and citizen participation points to areas for improvement in communication and public engagement. The equitable perception on the impact of RIMPE on small businesses highlights the need for more detailed research to fully understand the economic implications in this crucial sector.

**Keywords:** RIMPE, complexity, tax reform, tax regime

### INTRODUCTION

The analysis of the tax regime and its impact on the economic growth of microentrepreneurs in Ecuador's zone 5 in 2023 stands as a central axis in the tax reform implemented by the country. This reform was designed with the purpose of promoting the economic growth of small and medium-sized enterprises (SMEs), through the creation of an innovative tax system known as the Tax Regime for Microenterprises (RIMPE). This regime aims to provide a series of tax incentives to smaller companies, in order to promote their formalization, boost their competitiveness and stimulate job creation (Álvarez, 2020; Echazarreta, 2022). In this way, the aim is not only to strengthen the business fabric, but also to increase tax collection in a sustained manner (García et al., 2017).

In a context where microenterprises represent a significant part of the productive sector in Ecuador, the RIMPE proposes a series of benefits aimed at alleviating the tax burden of this type of company. Among the main advantages it offers are preferential tax rates, simplification of procedures and tax exemptions in specific transactions. These incentives not only aim to encourage the formalization of companies that, historically, operated informally, but also to allow them to access greater opportunities in national and

international markets (Moreno et al., 2021). Likewise, the implementation of this regime aims to guarantee a more favorable environment for investment and entrepreneurship, in order to boost the Ecuadorian economy as a whole (Montiel et al., 2020).

The context of the 2023 tax reform in Ecuador also responds to the need to improve the country's tax collection levels, a constant challenge for developing economies seeking a balance between promoting economic growth and maintaining the stability of public finances (Ortega Toapanta, 2019). In this sense, the RIMPE is presented as a measure that seeks to consolidate a larger taxpayer base by formalizing previously unregistered companies and improving efficiency in collection (Álvarez & Álvarez, 2020). At the same time, the challenge is to analyze whether these tax advantages have effectively achieved their objectives, without putting the financial sustainability of the State at risk (Vargas, 2019).

At the macroeconomic level, the relationship between the RIMPE and the economic growth of microentrepreneurs is a relevant area of study, especially in areas such as Region 5 of Ecuador, which includes provinces with high economic potential, but with a marked inequality in terms of the formalization of their productive sectors (Méndez, 2019). Through the review of economic and tax data, this research aims to rigorously evaluate whether the implementation of the RIMPE has met the objectives set out in the tax reform (Mendoza, 2020). In particular, it seeks to determine whether this regime has achieved a positive impact on the formalization of businesses, the generation of employment, and the competitiveness of microenterprises, essential factors for the stability and growth of the Ecuadorian economy (SRI, 2021).

Another fundamental aspect to consider in this analysis is the long-term sustainability of the fiscal policies implemented. While the RIMPE offers significant advantages to SMEs, it is crucial to examine whether these measures contribute to sustainable economic growth or if, on the contrary, they compromise the State's ability to maintain an adequate flow of tax revenues (Quispe et al., 2020). Fiscal sustainability is a sensitive issue for any government that implements tax incentives, so it is necessary to analyze how the promotion of entrepreneurship has been balanced with the need to maintain healthy public finances (Requena, 2017). This is particularly relevant in the case of Ecuador, a country that has experienced fiscal challenges in recent years and requires effective policies to ensure its economic stability (Tax Code, 2017).

The RIMPE analysis should also be framed in the dynamics of business informality in Ecuador. For years, the country has faced high levels of informality in key sectors of its economy, which has limited the State's ability to obtain tax revenues efficiently and equitably (Méndez, 2022). In this context, the formalization of microenterprises under the RIMPE becomes a crucial tool to improve tax collection levels and to ensure that small businesses can benefit from the public services and infrastructure provided by the government (López, 2020).

Finally, it should be noted that, despite the benefits and challenges posed by RIMPE, its success cannot be measured in fiscal terms alone. The true effectiveness of this regime lies in its ability to promote economic inclusion, improve equity, and reduce inequality gaps in access to business opportunities (Esteve, 2022). This underscores the importance of empirical studies that assess the impact of RIMPE not only from an economic perspective, but also from a social approach that allows us to understand how this regime is contributing to the well-being of the most vulnerable business communities (LORTI, 2019).

In this sense, the objective of this research is to analyze the impact of the Tax Regime for Microenterprises (RIMPE) on the economic growth of microentrepreneurs in zone 5 of Ecuador during the year 2023. This study will focus on evaluating the effectiveness of the

RIMPE in terms of business formalization, job creation, and competitiveness, considering both its economic and fiscal implications (National Congress of Ecuador, 2020).

### **Theoretical framework**

They date back to the need to promote the formalization and development of microenterprises in the country. Given the significant presence of this sector in the Ecuadorian economy and the prevailing informality, the Government sought to implement measures that would stimulate its growth and tax compliance. Thus, in the context of the Tax Reform, the RIMPE was introduced with the purpose of granting tax benefits to these small productive units, alleviating their tax burden and encouraging their active participation in the formal economic system. (ESTEVE, 2022)

The adoption of this regime represents an attempt by the State to balance the encouragement of entrepreneurial activity with the need to strengthen tax collection and promote tax equity. Therefore, an understanding of the historical background of the RIMPE is essential to assess its current impact on the Ecuadorian economy and to determine whether it has effectively managed to promote the sustainable growth of microenterprises, as well as the consolidation of a more equitable and efficient tax system. The study of the Tax Regime for Microenterprises (RIMPE) and its influence on Ecuador's Tax Reform reveals a persistent challenge: the lack of tax culture in the country. This problem, identified and discussed by experts over an extended period, acquires crucial relevance given its magnitude. In Ecuador, taxpayers tend to adopt different positions regarding compliance with their tax obligations, from willingness to comply, to total reluctance.

This diversity of approaches is directly linked to the present research, since there are regions where the lack of knowledge about tax obligations persists. Therefore, although there is previous research with similarities, the development of this study is essential, since it seeks to implement a tax program adapted to the specific needs of the merchants under study. The scarce, non-existent or incorrect understanding of tax has an impact on the fact that many merchants do not comply with their tax obligations. This is particularly evident in certain areas of Ecuador, where the lack of tax culture persists as a significant barrier. Therefore, it is imperative to reach these people with a tax program specifically designed to address this problem. (Moreno et al., 2021)

Describing the tax conditions of the merchants under study is revealed as a fundamental component, providing valuable contributions on the processes that determine the behaviors of those responsible for taxation. In addition, this description opens the door to the implementation of planned changes in taxpayer attitudes and behaviors. It should be noted that tax administration is intrinsically linked to the management of money, being a variable of crucial importance in for-profit organizations.

In this business context, aspects related to asset management, investment, financing and the theoretical value of research are addressed. This contribution is substantial for business development, providing valuable information on the relationship between the level of tax culture and its impact on the sector. This, in turn, generates systematic knowledge and sets baseline goals for future advances in this crucial area, providing a solid starting point for other researchers interested in this field.

### **METHODOLOGY**

The research adopted a qualitative approach to understand the perceptions and experiences of RIMPE taxpayers in the canton of Milagro, Ecuador. This approach is based on non-numerical data collection methods, focused on the description and analysis of the perceptions of the actors involved. The aim is to interpret the impact of the regime from the perspective of microentrepreneurs, using tools such as interviews and semi-structured questionnaires (Echazarreta, 2022).

An exploratory design was implemented, which is suitable to obtain a preliminary understanding of little-studied phenomena, such as the impact of RIMPE on the formalization of enterprises and the competitiveness of microenterprises in Ecuador. This flexible approach allows research questions to be adjusted according to the answers obtained, making it easier to identify new trends or emerging problems in the process (Vargas, 2019). The deductive method was used for the analysis of economic relations under the RIMPE regime, starting from general principles on the behavior of markets and deducing specific conclusions about their operation in the context of microenterprises. This approach allows us to move from the general to the particular, facilitating the understanding of the interactions between the economic actors involved, such as suppliers and demanders (López, 2020). A semi-structured questionnaire was designed to be applied to microentrepreneurs registered under the RIMPE regime in the canton of Milagro. This questionnaire included closed and open questions, allowing both quantitative and qualitative data to be obtained on taxpayers' perceptions regarding the tax burden, competitiveness and business formalization. The use of a semi-structured questionnaire provided flexibility in the collection of information, adapting to the responses obtained during the survey process. The study population was made up of microentrepreneurs from zone 5 of Ecuador covered by the RIMPE regime. A total of 106,750 taxpayers were identified distributed in five provinces: Los Ríos, Santa Elena, Bolívar, Galápagos and Guayas. To select the sample, probability sampling was used, ensuring that each contributor had an equal chance of being selected to participate in the research.

**Table 1:** Study sample

Zone	Province	Popular Businesses	Entrepreneurs	Total Population	% Total
5	Los Ríos	8,600	6,400	15,000	14.05%
5	Santa Elena	7,900	5,600	13,500	12.65%
5	Bolívar	6,200	4,850	11,050	10.35%
5	Galapagos	4,500	3,800	8,300	7.78%
5	Guayas	32,600	26,300	58,900	55.18%
Total		59,800	46,950	106,750	100%

The sample was calculated using a probabilistic sampling formula, obtaining a total of 328 microentrepreneurs distributed proportionally in the five provinces. This made it possible to ensure the representativeness of the data and guarantee the validity of the results.

**Table 2:** Number of taxpayers surveyed

Zone	Province	Total Population	Calculated Sample	Percentage Province	by Taxpayers Surveyed
5	Los Ríos	2,107.50	325	24.73%	80
5	Santa Elena	1,707.75	314	23.90%	75
5	Bolívar	1,148.67	288	21.92%	63
5	Galapagos	645.74	7	0.53%	0
5	Guayas	32,495.13	380	28.92%	110
Total		38,099.79	1,314	100%	328

This methodology ensures that the research provides a complete and detailed view of the impact of the RIMPE regime on microentrepreneurs in zone 5, allowing both qualitative and quantitative data to be obtained that will serve as a basis for subsequent analysis.

## RESULTS

According to the results obtained through the online survey aimed at taxpayers in zone 5, which covers five provinces, various perceptions were identified about the Tax Regime for Microenterprises (RIMPE). A significant portion of respondents stated that they file their tax returns annually, while a smaller group do so quarterly. These results suggest that the RIMPE regime has not presented significant changes compared to the previous system, although some users consider that there have been improvements in the process.

As for the structure of the new tax reform, most taxpayers believe that it is well structured, although a smaller percentage say that it has several deficiencies. Those who cite shortcomings in the reform refer mainly to the complexity and administrative challenges they face under the new regime. Despite these criticisms, the general perception is favorable.

In relation to training on the RIMPE scheme, the majority of micro-entrepreneurs surveyed indicated that they have received adequate training on the scheme. However, a considerable percentage of taxpayers indicated that they had not received training, which generates a disparity in knowledge of the regime and its application. This lack of training has led to differences in the interpretation of the restrictions and benefits of the current regime, with some users stating that there are no clear restrictions, while others consider the opposite.

Regarding the role of the Internal Revenue Service (SRI) in the supervision of the RIMPE regime, most respondents perceive that its regulatory function is effective in ensuring tax compliance. However, a minority group considers that the SRI does not play a relevant role in the system, which highlights the need for greater transparency and communication between tax authorities and taxpayers.

In general, opinions on the economic impact of the RIMPE scheme vary. While some micro-entrepreneurs have reported positive comments regarding the benefits of the new system, others have expressed criticism, especially with regard to tax payments, which are perceived as higher compared to the previous regime. According to the results, the economic impact that the government expects in zone 5 is not perceived as significant by most taxpayers, suggesting the need to review certain aspects of the regime to improve its effectiveness and acceptance.

## DISCUSSION

The results obtained in the research reflect various perceptions and challenges faced by taxpayers in zone 5 of Ecuador under the Tax Regime for Microenterprises (RIMPE). Although the majority of respondents acknowledge the overall structure of the new regime, critical areas that require attention are identified, such as perceived benefits, the complexity of the payment system, and the lack of adequate training. These aspects have limited the ability of micro-entrepreneurs to fully adapt to RIMPE and take advantage of the opportunities it offers.

First, it is important to note that although some taxpayers consider that the RIMPE has improved certain aspects of the tax system, a significant proportion perceive that the benefits are lower compared to the previous regime. This perception may be linked to the increase in the tax burden and the lack of clear incentives to promote business growth. Although the RIMPE seeks to formalize and simplify the taxation of microenterprises, taxpayers expect greater tax advantages that will really boost their competitiveness and sustainability in the market.

Training, or lack thereof, also emerges as a determining factor in the implementation of RIMPE. Despite the fact that a portion of respondents reported having received training, a

significant proportion indicated that they have not had access to sufficient training programmes to fully understand the regime. This suggests that current educational strategies are insufficient to ensure that all taxpayers are adequately informed about their obligations and rights within the system. Lack of knowledge can lead to errors in tax compliance and, in turn, affect the general perception of RIMPE among microentrepreneurs.

Another relevant point is the mixed perception of the role of the Internal Revenue Service (SRI) in the regulation and supervision of the RIMPE. Although the majority of respondents recognize that the SRI fulfills a regulatory role, a minority group considers that its impact is limited. This highlights the need for greater visibility and transparency in the actions of the SRI, especially with regard to effective oversight and support to taxpayers.

In addition, the complexity of tax forms and processes continues to be an obstacle for many microentrepreneurs. Despite the government's efforts to simplify procedures, taxpayers said the forms remain difficult to understand, increasing the possibility of errors and discouraging timely compliance. The implementation of more accessible and simplified digital platforms is therefore a priority to improve the user experience and reduce the administrative burden.

Overall, the results indicate that while RIMPE has the potential to formalize and strengthen the microenterprise sector, there are still key areas that require significant improvements. Negative perceptions related to the benefits of the scheme and the lack of training suggest that a coordinated effort is needed to optimize communication, training and support to taxpayers. In addition, the introduction of additional incentives could motivate microentrepreneurs to comply with their tax obligations more efficiently and voluntarily.

Finally, comments on the tax burden suggest that, despite the progress made with the RIMPE, microentrepreneurs still perceive a high cost compared to the benefits obtained. This could affect the acceptance and success of the regimen in the long run, especially if no adjustments are made that align taxpayers' expectations with the objectives of the tax system. It is critical that the government address these concerns and look for ways to balance the tax burden with incentives that promote the growth and competitiveness of microenterprises.

## **CONCLUSIONS**

The Tax Reforms play a crucial role in offering a simplified tax regime, beneficial for microenterprises in Zone 5 of Ecuador, these regimes have proven to be an efficient instrument to promote the formalization of small businesses giving value to the commercial activities they are going to carry out.

The taxpayers of these regimes have been effective in promoting tax compliance, highlighting the formalization of the needs of each taxpayer by opting for continuous measures of education, monitoring to optimize their operation, guarantee a positive long-term impact on the local economy.

The implementation of the Reforms has been increasing the greater mobility of basic income around the performance of tax duties to microenterprises in the region, this simplification of processes, and tax rate reductions have encouraged a greater number to enter and comply with their fiscal responsibilities in a timely manner.

Despite the neutrality in some responses, the majority of respondents are satisfied with the tax reforms, including the RIMPE, pointing to a general acceptance of the decisions taken in this area. However, the existence of a considerable percentage that expects "great improvements" highlights the need for continuous evaluation and strategic adjustments to meet the expectations of the population.

It is clear that citizen participation and transparent communication are essential for the success of tax policies. The perception of accessibility of information and general satisfaction can be significantly improved with clearer communication strategies and

effective channels to involve society in the process of designing and implementing tax reforms. Ultimately, the successful implementation of tax reform in Ecuador will require a proactive approach to address the expectations of the population and ensure an ongoing dialogue between authorities and taxpayers.

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