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Ethical Vision and the Effects of Income Tax Collection for Salaried Individuals

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Summary

The Colombian tax system has historically been criticized for its structural complexity and lack of ethics in the income tax settlement processes for individuals. This lack of simplicity has been exacerbated by multiple tax reforms, which has contributed to the perception of an unstable fiscal environment. In this context, in recent years, the National Tax and Customs Directorate (DIAN) has implemented various strategies to mitigate the high rates of tax evasion and avoidance, which has had a notable impact on the behavior of income tax for individuals in recent years.

This study aims to analyze the ethics and factors underlying this phenomenon, as well as the results obtained in terms of tax collection, number of taxpayers and effective tax rates during the period 2019 to 2021, focusing especially on the salaried population, which represents more than 50% of taxpayers of natural persons according to the classification of subsectors corresponding to this tax. To achieve these objectives, the exploratory data analysis technique was used, allowing a deeper understanding of the fiscal dynamics and the effectiveness of the measures adopted by the DIAN.

In accordance with the above, among the findings are the implications and behavior of the effective tax rates, as well as the decrease in benefits for salaried employees at the time of their private liquidation, increasing the value to be paid.

Keywords: Personal income tax, salaried employees, tax reforms, tax charged, effective tax rate, taxpayers, tax ethics.

INTRODUCTION

To make an objective approach to the phenomenon of the behavior of the income tax to be paid for salaried employees in the 2019 to 2021 periods, it is necessary to mention how historically taxes in Colombia have undergone multiple modifications determined by the state needs to obtain resources, proof of this are the latest tax reforms, where the fundamental objective is to increase the collection of direct taxes, such as the income tax of natural persons, through the increase in the number of filers, the reduction of the tax bases and the elimination of exceptions.

The above elements become the basis for the development of this article, which contains data analysis, published by the National Tax and Customs Directorate (DIAN), includes an ethical and socially responsible approach that analyzes whether the taxes applied to employees comply with the constitutional principles of equity, justice and tax progressivity, according to the provisions of Article 363 of the Political Constitution of Colombia.

In addition to the above, the income tax is understood as the national tax, which is levied on taxpayers who obtain income and meet a series of characteristics, these change according to the needs of the governments in power, who, through tax reforms, seek to increase the number of taxpayers and strengthen collection (Becerra Salvador, 2016). According to an ethical vision, it is essential to ask whether these legalistic decisions will be correctly considered according to the ability of wage earners to pay and whether these reforms help to achieve a fair distribution. In this way, the analysis set forth in this research seeks to establish in detail variations in income tax for salaried employees in the 2019 to 2021 periods, determining the relationship between the number of taxpayers and the resources obtained at the end of each period.

To begin with, it is necessary to compare this tax historically. Which was born with Law 56 of 1918 and establishes income tax. November 27, 1918. D.O. No. 16555. Setting rates that ranged between 1% and 3%, and determined by the economic activity of the taxpayer. In 1927 with Law 64, in which some provisions related to income tax were issued. November 12, 1927. D.O. No. 20648. Giving way to the global income tax, this gave rise to transcendental changes brought about by Law 78 of 1935 and where the current provisions of the tax were reformed, the rate was increased, some additional taxes were established and others were abolished. December 23, 1935. D.O. No. 23075. Modifying the rates from 8% to 17% and talking for the first time about tax exemptions and deductions.

In the 1930s, the treatment of inheritances, assignments and donations was also modified, which would lead to the State increasing its income from these concepts by 1940, going from a rate of 7.6% to 27%. Thus, Law 75 of 1986 of the 80s, in the face of the fiscal deficit, is again considered to reactivate income tax collection (Mejía Pérez, 2022). Since then, it has become an essential tax in the national tax system. By the 90's with the political constitution of 1991, Colombia became a social state of law, which generated in the national tax system the inclusion of the principles of progressivity, equity and efficiency as stipulated in article 363 of the CP (Political Constitution of the Republic of Colombia [C.P], 1991). This establishes a regulatory framework that requires an ethical foundation and social and equitable justice.

Recently, the commission of experts on tax benefits in its latest report states that with the covid-19 pandemic, the historical structural deficiencies of the Colombian tax system become evident, with which tax revenues do not achieve the objective of meeting the legitimate needs of citizens, due in large part to the excessive burden of tax expenditures. which harm the country's tax base and consequently, there is no incentive for investments and business initiatives, tax evasion and avoidance are facilitated, violating tax equity and in some way contravening tax evasion, slowing down the country's economic development and the levels of inequality are not minimized and the distribution of income and wealth is failed (Commission of Experts on Tax Benefits [C.B.T], 2021). In recent years, the Colombian tax system has undergone reforms aimed at improving, effectiveness, and efficiency of collection, by virtue of the above, it is intended to answer the question under investigation.

METHOD

According to the research, it has been chosen to use a mixed methodology, that is, the combination of a qualitative and quantitative perspective, the objective is to provide pertinent and detailed information, providing depth to the analysis to facilitate its understanding, combining information from various sources in order to support the analysis and make it more comprehensive, from an ethical and critical understanding of physical behavior; thus expanding the panorama, strengthening the validity and interpretation of the results (Vera Quiñonez, Gadea, & Santa Gadea Delgado, 2018).

The quantitative part will use the analysis of statistical data that reflect the behavior of the tax in each of the aforementioned periods. In contrast, the qualitative scope will be used to examine sources of information detailing tax reforms that have had an impact on the tax. This combination of methods makes it possible to identify the factors that affect the behavior of the tax to be paid by employees during the fiscal periods 2019 to 2021.This information will facilitate the evaluation of equity in the distribution of tax obligations, especially that of employees.

Respectively, the research is based on statistical data extracted from the aggregate report of income tax returns and complementary returns provided by the DIAN. The report provides detailed information on taxpayers, can be compared with taxable bases, tax rates applied, deductions and exemptions allowed, as well as taxes determined and paid, among other aspects relevant to this study. By means of these data, the variations in the tax to be paid by salaried individuals during the periods analyzed will be evaluated, in order to detail their behavior. In addition, official information will be consulted, provided by government sources that contribute to the development of the research, the data described will be expressed through graphics and other means that facilitate the understanding of the information.

The qualitative component will focus on contextual analysis and relevant historical information related to personal income tax. In addition to this, academic material published by experts and authors who have contributed to the subject will be consulted, in turn the tax reforms enacted during the period under study (2019 to 2021) will be reviewed, including the Financing Law 1943 of 2018, the Growth Law 2010 of 2019 and the Social Investment Law 2155 of 2021. which introduced important changes in the tax statute, related to the income tax for individuals, examples of some elements subject to modification by intervention of these rules are: taxable base, tax rates, deductions and exemptions, this from the reflective and critical ethical approach, among others. This combination of approaches will make it possible to identify the determining factors in the increase or decrease of the tax to be paid by employees in each year under study.

In accordance with the above, the research will use the mixed methodology, which has the ability to merge numerical data with a solid qualitative context with a view to ethics and morally well done, which will allow the observed figures to be explained in a more complete and detailed way.

RESULTS

With the tax reform Law 1943 of 2018, modifications were introduced that had as their main objective to generate additional resources to finance the nation's budget, while seeking to stimulate investment and economic growth. From an ethical perspective, it is pertinent to question whether these reforms were adjusted equitably to the socioeconomic reality of the various groups of taxpayers, particularly wage earners, who have less capacity for fiscal planning.

In addition to the above, with this law one of the main changes in income for individuals is the reduction of the number of cards for the classification of income, going from five to three cards and simplicity is generated in the taxation of the tax with the creation of a general card, which strengthens the appearance in vertical equity. since income from different bonds that previously did not form the basis for settlement was incorporated into this card. That's the way things are. To ensure that individuals with greater capacity to pay contribute more proportionally, this in line with the constitutional principles of progressivity and fiscal efficiency.

Likewise, horizontal equity is addressed, which minimizes the tax gap between people with the same level of income, which varied depending on whether they came from one or more sources because they were taxed independently, which facilitated the search for a tax reduction on the part of taxpayers through avoidance and evasion by classifying their income in several sources. this eroded the taxable base and decreased taxation (Pérez Mejía, 2022). This could materialize from the basic income tax payable by taxpayers which, combined with a withholding at source, could generate balances in favor, thus harming the state in its intention to obtain resources for the development of its social purposes.

Creation of Taxation Ranges.

This reform introduced significant changes in the income tax of natural persons, which included the modification of tax rates, that is, the percentage of tax to be paid, thus incorporating three more ranges in the tax scheme, increasing progressivity by setting a higher rate for people with higher incomes. Below are the rates in income for natural persons for Law 1819 of 2016 modified with Law 1943 of 2018 and in turn to Article 241 of the tax statute (Pérez Mejía, 2022).

Table *1-Rate for Natural Persons Under Law 1819 of 2016*

Law 1819 of 2016			
Range - UVT		**Tarifa- Marg**	**Tax**
Since	**Until**		
>0	1090	0%	0
>1090	1700	19%	(Base UVT (-) 1090 UVT) (X) 19%
>1700	4100	28%	(Base UVT (-) 1700 UVT) (X) 28% (+) 116 UVT
>4100	From now on	33%	(Base UVT (-) 4100 UVT) (X) 33% (+) 788 UVT

Note. Adapted: Fees for resident individuals and modal allowances and donations, https://www.funcionpublica.gov.co/eva/gestornormativo/norma_pdf.php?i=79140

The above table shows the income tax rates for individuals, as provided for in Law 1819 of 2016.

Table *2-Rate for Natural Persons according to Law 1943 of 2018*

Law 1943 of 2018

Range - UVT		Rate- Margi-nal	Tax
Of	A		
>0	1090	0%	0
>1090	1700	19%	(Base grave UVT (-) 1090 UVT) (X) 19%
>1700	4100	28%	(Base grave UVT (-) 1700 UVT) (X) 28% (+) 116 UVT
>4100	8670	33%	(Base grave UVT (-) 4100 UVT) (X) 33% (+) 788 UVT
>8670	18970	35%	(Base grave UVT (-) 8670 UVT) (X) 35% (+)2296 UVT
>18970	31000	37%	(Base grave UVT (-) 18970 UVT) (X) 37% (+)5901 UVT
>31000	From now on	39%	(Base grave UVT (-) 31000 UVT) (X) 39% (+)10352 UVT

Note. Adapted: Fees for resident individuals and modal allowances and donations, https://www.suin-juriscol.gov.co/viewDocument.asp?id=30036049

The table shows the ranges of the percentage of tax that is applied to each level of income from general and pension cards under Law 1943 of 2018.

Table *3-Withholding Tax Rate for Natural Persons Under Law 1943 of 2018*

Law 1943 of 2018			
Range - UVT		Tarifa-Marg	Tax
Since	Until		
>0	87	0%	0
>87	145	19%	(Labor income in UVT (-) 87 UVT) x 19%
>145	335	28%	(Labor income in UVT (-) 145 UVT)) x 28%+11UVT
>335	640	33%	(Labor income in UVT (-) 335 UVT)) x 33%+64UVT
>640	945	35%	(Labour income in UVT (-) 640 UVT)) x 35%+175UVT
>945	2300	37%	(Labor income in UVT (-) 945 UVT)) x 37%+272UVT
>2300	From now on	39%	(Labor income in UVT (-) 2300 UVT)) x 39%+773UVT

Note. Adapted: Amend the first paragraph and the withholding table at source of Article 383 of the Tax Statute, https://www.suin-juriscol.gov.co/viewDocument.asp?id=30036049

On the other hand, this reform adjusts withholdings at source for labor and pension payments. These withholdings will be applied with a progressivity in the rate between 0% and 39%, depending on the income level of the beneficiary. The withholding base is 87 UVT. These withholdings reflect the increase in the income tax rate for individuals in the general and pension card.

Limits on Deductions and Exempt Income for Taxpayers.

For the sake of greater vertical and horizontal equity, the deductions and exemptions that had been benefiting mostly people with higher incomes are delimited, an example of this was the modification in article 55 of the E.T. where the limit of 25% to labor income was created without exceeding 2,500 UVT per year.(Pérez Mejía, 2022).

Processing of shares and dividends

Regarding the treatment of shares and dividends of natural persons. This income will be classified in a separate card, which will have two categories: untaxed and taxed. Untaxed dividends will be subject to a rate of 15% if they exceed (300 UVT) per year. The taxed dividends will be subject to the general income tax rate plus the corresponding dividend tax (Tiene Herrera Ruiz, 2019).

Gradual decrease in presumptive income

The presumptive income for individuals is gradually reduced, this income will be calculated with a rate of 1.5% in 2019 and 2020, and 0% in 2021. The presumptive income will be compared only with the net income in the general schedule, excluding pension and dividend cards. This changes the previous rule, which compared presumptive income with all net income (Tiene Herrera Ruiz, 2019).

The law in question was declared unenforceable by the Constitutional Court with Sentence C 481 of 2019, due to the fact that there were gaps in the procedures in the legislative process. To avoid a fiscal imbalance and protect the rights of taxpayers, the Constitutional

Court maintained the validity of Law 1943 of 2018 until December 31, 2019. The National Government presented a new bill that retained the same substantial content of the previous law, but corrected the formal defects.

Law 2010 of 2019.

Law 2010 of December 27, 2019 established the rules that promote growth in employment, economy, investment, strengthening of public finances and improvement of the tax system, following the objectives set by Law 1943 of 2018.

Modification of the table in withholding at source natural persons.

Below is the modification of the income ranges for individuals under Law 2010 of 2020.

Table *4-Rate for Natural Persons Under Law 2010 of 2020*

Law 2010 of 2020			
Ranges- UVT		**Marg Rates**	**Withholding tax**
Since	**Until**		
0	95	0%	0
>95	150	19%	(UVT Labor Income (-) 95 UVT) *19%
>150	360	28%	(UVT labor income (-) 150 UVT) *28%+10 UVT
>360	640	33%	(UVT Labor Income (-) 360 UVT) *33%+69 UVT
>640	945	35%	(UVT Labor Income (-) 640 UVT) *35%+162 UVT
>945	2300	37%	(UVT Labor Income (-) 945 UVT) *37%+268 UVT
>2300	From now on	39%	(UVT Labor Income (-) 2300 UVT) *39%+770 UVT

Note. Adapted: Fees for resident individuals and modal allowances and donations, https://www.suin-juriscol.gov.co/viewDocument.asp?id=30036049

Law 2010 of 2019, related to personal income tax, introduced several important changes in the tax system. First, the maximum tax rate was maintained at 39% for resident individuals. In addition, the withholding tax table for taxable payments originating in labor relations was modified, expanding the initial range of application from 87 to 95 UVT (Congress of Colombia, 2019).

Exempt income for magistrates and judges.

Article 32 of Law 2010 of 2019 modifies Article 206 of the Tax Statute, which includes numeral 07 that grants an income tax exemption of 50% of salary for prosecutors and magistrates, considering this amount as representation expenses. In the case of judges, the exemption from the percentage would be 25% of their salary. In addition, it is clarified that this exempt income is not subject to limitations established in numeral 3 of article 336 of the Tax Statute, which establishes that deductions and exempt income cannot exceed 40% of net income or the equivalence to 5,040 UVT (Congress of Colombia, 2019).

Changes in independent workers.

The most significant changes for self-employed workers can be seen in Article 336, this category acquires the possibility of subtracting from its tax calculation base the costs and expenses related to their income from fees and compensation for personal services. Likewise, individuals who are self-employed workers who carry out an activity that produces income and who in turn carry out the hiring or employment within a term of no more than 90 days on a continuous or discontinuous basis to less than the two workers, must decide whether to treat it in accordance with the exempt labor income in accordance with numeral 10 of article 206 SW or the subtraction of costs and deductions (Guerreo Doria & Torres Forero, 2022).

Law 2155 of 2021.

With this, most of the tax policies introduced in Law 1943 of 2018, ratified with Law 2010 of 2019, are maintained, as far as the income tax of natural persons is concerned, the most significant change is determined by the introduction of the audit benefit for the years 2022 and 2023.

Audit Benefit.

It establishes this benefit in the 2022 and 2023 periods whenever the taxpayer increases the net tax by 35% or 25% with respect to their income tax return for the immediately preceding year, this benefit will imply that their return will be firm for between six and twelve months respectively, if the DIAN does not initiate the audit process (Congress of Colombia, 2021).

Quantitative Detail of Income Tax for Salaried Employees

When examining the quantitative variations as a result of the changes incorporated in the tax reforms for the 2019 to 2021 periods, it analyzes the aggregate report of income tax returns for natural persons, in accordance with the above and in the context of this research in which the analysis of the increase and/or decrease of income tax for salaried employees is addressed. It is important to mention macro data on this tax.

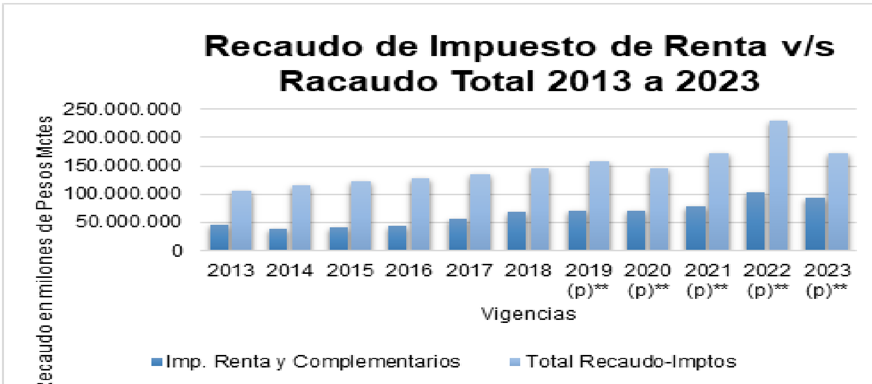
Table 5- *Income Tax Collection V/S Total Collection 2013 to 2023*

Figures in millions of current pesos			
Lifetimes	**Imp. Income and Complementary Taxes**	**Total, Collection-Taxes**	**%**
2013	46.359.304	105.442.806	43,97%
2014	39.439.825	114.314.587	34,50%
2015	41.382.408	123.705.323	33,45%
2016	43.494.125	126.733.824	34,32%
2017	56.654.648	136.430.262	41,53%
2018	68.060.908	144.423.956	47,13%
2019 (p)**	71.065.759	157.366.861	45,16%
2020 (p)**	69.741.280	146.215.469	47,70%
2021 (p)**	77.581.293	173.665.962	44,67%
2022 (p)**	103.189.811	228.380.219	45,18%
2023 (p)**	93.287.813	173.751.634	53,69%
Total	**710.257.175**	**1.630.430.903**	

Note. Adapted: Annual Collection Statistics by Tax Type 1970-2023, https://www.dian.gov.co/dian/cifras/Paginas/EstadisticasRecaudo.aspx

Figure 1- *Income tax collection v/s total collection 2013 to 2023*

Income Tax Collection v/s Total Collection 2013 to 2023



Note. The figure shows the total tax collection of the last 10 years according to the "Annual Collection Statistics by Tax Type 1970 - 2023" and compares the weight of income tax in it. Source: DIAN (2023). In original Spanish language

According to the above graphs based on figures from the DIAN in its statistical report on annual collection by type of tax, it is evident that for the last 10 years the income tax contributes a percentage between 33% and 54% of the total collection, this shows that a large part of the nation's tax revenues depend on this tax.

Continuing with the analysis of the income tax for salaried employees, the information on the share of the income tax of natural persons in the total collection of the tax for the periods under study is presented.

Table *6-Participation IRPN V/S Collection and Total Income Tax 2019 to 2021- In Millions of Pesos Ctes.*

	Items	**2019**	**2020**	**2021**
A	Total, Tax Collection 2019 to 2021	157.366.861	146.215.469	173.665.962
B	Total, Income Tax Validity 2019 to 2021	71.065.759	69.741.280	77.581.293
C	Total, IRPN Tax Charged 2019 to 2021	12.209.600	12.070.633	14.508.920
	% Share	**2019**	**2020**	**2021**

	% Participation in Total Collection 2019 to 2021 of IRPN (C/A)	7,76%	8,26%	8,35%
	% Participation in Income Tax 2019 to 2021 of IRPN (C/B)	17,18%	17,31%	18,70%

Note. Adapted: Aggregate of the income tax returns and complementary tax returns 2019 to 2021. https://www.dian.gov.co/dian/cifras/Paginas/TributosDIAN.aspx

When analyzing the personal income tax against the total collection for the years 2019 to 2021, it is found that the personal income tax represents between 7% and 8% of the total collection, in turn, when comparing the personal income tax against the total income tax, the percentage of participation found ranges between 17% and 19% approximately, which confirms the importance of the collection of this item in the Colombian tax system, the analysis also shows as a result that for the year 2021 tax revenues from personal income tax increased, going from an approximate figure of 12.2 billion pesos in 2019 to 14.5 billion pesos in the 2021 period.

These graphs present the hierarchical order of the behavior by economic subsectors of the personal income tax for the periods 2019 to 2021.

Table *7-Personal Income Tax by Subsector 2019*

Personal Income Tax by Subsector 2019 - Figures in Millions of Current Pesos

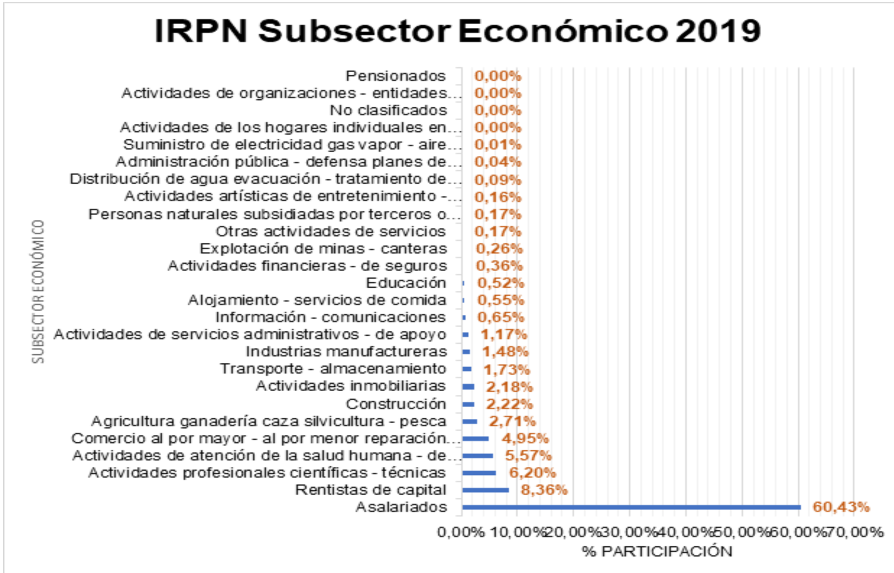
Name Economic Subsector	2019	%
Employees	**$ 7.378.312**	**60,43%**
Capital rentiers	$ 1.021.002	8,36%
Scientific and technical professional activities	$ 757.366	6,20%
Human health care - social assistance activities	$ 679.885	5,57%
Wholesale - Retail Motor Vehicle Repair - Motorcycles	$ 604.756	4,95%
Agriculture, livestock, hunting, forestry, fishing	$ 330.907	2,71%
Construction	$ 271.089	2,22%
Real estate activities	$ 266.685	2,18%
Transport - storage	$ 211.648	1,73%
Industrias manufactureras	$ 180.122	1,48%

Administrative services activities - support	$	142.851	1,17%
Information - communications	$	79.405	0,65%
Accommodation - food services	$	66.542	0,55%
Education	$	63.313	0,52%
Financial activities - insurance	$	44.559	0,36%
Mining - quarrying	$	31.810	0,26%
Other service activities	$	21.317	0,17%
Individuals subsidized by third parties or without economic activity	$	20.596	0,17%
Artistic activities for entertainment - recreation	$	19.406	0,16%
Water distribution evacuation - wastewater treatment - environmental sanitation activities	$	11.327	0,09%
Public administration - defence compulsory social security schemes	$	5.301	0,04%
Electricity supply gas steam - air conditioning	$	912	0,01%
Activities of individual households as employers activities not differentiated by individual households as producers of goods - services for their own use	$	330	0,00%
Unclassified	$	109	0,00%
Activities of organizations - offshore entities	$	51	0,00%
Pensioners	$	-	0,00%
Total general	**$**	**12.211.619**	**100%**

Note. Adapted: Aggregate of the 2019 income tax returns. https://www.dian.gov.co/dian/cifras/Paginas/TributosDIAN.aspx

Figure *2-IRPN Economic Subsector 2019*

IRPN Economic Subsector 2019



Note. The figure shows the total tax payable for individuals taxable year 2019 by economic subsector. Source: DIAN (2019). In original Spanish language

When observing the corresponding information for the 2019 term, by the sub-sectoral classification of the aggregate report of income and complementary returns, there is evidence of a higher percentage participation in salaried employees with 60%, compared to the other items of the report, which do not exceed 10%.

Table *8-Personal Income Tax by Subsector 2020*

Personal Income Tax by Subsector 2020-Figures in Millions of Current Pesos

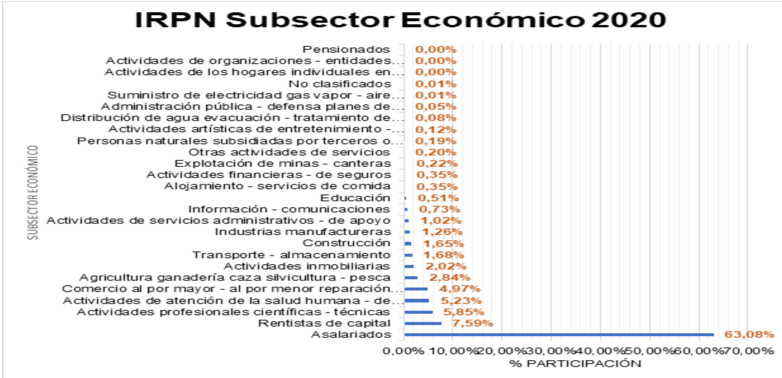
No.	Economic Subsector	2020	%
1	**Employees**	**$ 7.614.614**	**63,08%**
2	Capital rentiers	$ 916.298	7,59%
3	Scientific and technical professional activities	$ 706.327	5,85%
4	Human health care - social assistance activities	$ 631.290	5,23%
5	Wholesale - Retail Motor Vehicle Repair - Motorcycles	$ 599.882	4,97%
6	Agriculture, livestock, hunting, forestry, fishing	$ 343.011	2,84%
7	Real estate activities	$ 243.963	2,02%
8	Transport - storage	$ 203.295	1,68%
9	Construction	$ 198.875	1,65%
10	Industrias manufactureras	$ 152.548	1,26%

11	Administrative services activities - support	$	122.834	1,02%
12	Information - communications	$	87.683	0,73%
13	Education	$	61.303	0,51%
14	Accommodation - food services	$	42.837	0,35%
15	Financial activities - insurance	$	41.686	0,35%
16	Mining - quarrying	$	26.350	0,22%
17	Other service activities	$	23.695	0,20%
18	Individuals subsidized by third parties or without economic activity	$	22.405	0,19%
19	Artistic activities for entertainment - recreation	$	14.299	0,12%
20	Water distribution evacuation - wastewater treatment - environmental sanitation activities	$	9.958	0,08%
21	Public administration - defence compulsory social security schemes	$	5.459	0,05%
22	Electricity supply gas steam - air conditioning	$	744	0,01%
23	Unclassified	$	609	0,01%
24	Activities of individual households as employers activities not differentiated by individual households as producers of goods - services for their own use	$	585	0,00%
25	Activities of organizations - offshore entities	$	85	0,00%
26	Pensioners	$	-	0,00%
	Total general	**$**	**12.072.653**	**100%**

Note. Adapted: Aggregate of the 2020 income tax returns. https://www.dian.gov.co/dian/cifras/Paginas/TributosDIAN.aspx

Figure *3-IRPN Economic Subsector 2020*

IRPN Economic Subsector 2020



Note. The figure shows the total tax payable for individuals for the taxable year 2020 by economic subsector. Source: DIAN (2020). In original Spanish language

When observing the corresponding information for the 2020 term, by the sub-sectoral classification of the aggregate report of income and complementary returns, there is evidence of a higher percentage participation in salaried employees with 63%, compared to the other items of the report, which do not exceed 10%.

Figure 4-Personal *Income Tax by Subsector 2021*

Personal Income Tax by Subsector 2021- Figures in Millions of Current Pesos

No.	Economic Subsector	2021		%
1	**Employees**	**$**	**8.458.742**	**58,30%**
2	Capital rentiers	$	1.087.821	7,50%
3	Scientific and technical professional activities	$	910.332	6,27%
4	Wholesale - Retail Motor Vehicle Repair - Motorcycles	$	871.548	6,01%
5	Human health care - social assistance activities	$	764.232	5,27%
6	Agriculture, livestock, hunting, forestry, fishing	$	452.815	3,12%
7	Industrias manufactureras	$	292.254	2,01%
8	Real estate activities	$	290.219	2,00%
9	Transport - storage	$	278.527	1,92%
10	Construction	$	238.737	1,65%
11	Administrative services activities - support	$	189.556	1,31%
12	Pensioners	$	171.836	1,18%
13	Information - communications	$	136.318	0,94%
14	Accommodation - food services	$	91.738	0,63%

15	Education	$ 77.491	0,53%
16	Financial activities - insurance	$ 49.244	0,34%
17	Mining - quarrying	$ 44.080	0,30%
18	Individuals subsidized by third parties or without economic activity	$ 30.432	0,21%
19	Other service activities	$ 28.281	0,19%
20	Artistic activities for entertainment - recreation	$ 20.422	0,14%
21	Water distribution evacuation - wastewater treatment - environmental sanitation activities	$ 15.288	0,11%
22	Public administration - defence compulsory social security schemes	$ 6.263	0,04%
23	Electricity supply gas steam - air conditioning	$ 1.378	0,01%
24	Activities of individual households as employers activities not differentiated by individual households as producers of goods - services for their own use	$ 794	0,01%
25	Unclassified	$ 443	0,00%
26	Activities of organizations - offshore entities	$ 129	0,00%
	Total, general	**$ 14,508,920**	**100%**

Note. Adapted: Aggregate of the 2021 income tax returns and complementary tax returns. https://www.dian.gov.co/dian/cifras/Paginas/TributosDIAN.aspx

Figure *5-IRPN Economic Subsector 2021*

IRPN Economic Subsector 2021

Note. The figure shows the total tax payable for individuals taxable year 2021 by economic subsector. Source: DIAN (2021). In original Spanish language

When observing the corresponding information for the 2021 term, by the sub-sectoral classification of the aggregate report of income and complementary returns, there is evidence of a higher percentage participation in salaried employees with 58%, compared to the other items of the report, which do not exceed 10%.

DISCUSSION AND ANALYSIS

With the tax reform Law 1943 of 2018, changes were implemented whose main purpose was to create extra funds to finance the national budget, while encouraging investment and economic development. However, from an ethical perspective, the question arises as to whether the distribution of these tax obligations was proportional and equitable in relation to the effective economic capacity of taxpayers, particularly those salaried.

One of the fundamental changes in the field of income for individuals was the reduction in the number of cards for the classification of income, from five to three, and the establishment of a general card. This regulatory simplification was proposed as a strategy to strengthen vertical equity, by consolidating in a single database income derived from various sources that were not previously incorporated for tax purposes. Thus, it was hoped that taxpayers with higher incomes would contribute more, in line with the principle of fiscal progressivity established in Article 363 of the Political Constitution.

With respect to horizontal equity, the reform sought to minimize the tax discrepancy between individuals with the same income level but with different income sources. Prior to unification, income derived from different sources was taxed autonomously, which facilitated tax planning with the aim of reducing the tax burden. This circumstance represented an ethical and legal question, since it violated the principle of legal equality and favored those individuals who, without moral justification, had wider access to circumvention mechanisms protected by the legislation in force.

The ability to segment income into multiple bonds promoted the reduction of the tax to be paid, which eroded the tax base and reduced effective collection. This practice, despite being legal at the time, raises ethical questions about the fairness of the tax system, by enabling individuals with comparable taxable capacity to end up paying significantly divergent sums.

These circumstances are also manifested in the potential for the basic income tax payable, in conjunction with the withholding at source, to generate balances in favor of certain taxpayers. From the point of view of fiscal responsibility and social equity, this circumstance harms the State by restricting its financing capacity to meet fundamental social objectives, such as education, health, and the protection of the population in vulnerable situations.

Therefore, the findings not only show the technical and financial implications of the reform, but also a palpable tension between efficiency in tax collection and tax equity, an aspect that requires an ethical analysis. Tax reforms should be assessed in terms of their impact on tax revenue, as well as in terms of their potential to foster an equitable, fair and socially legitimate system.

CONCLUSIONS

The study highlights the trends and repercussions derived from the modifications to income tax in Colombia during the years 2019 to 2021, highlighting the growing tax pressure on the salaried population. This set, which constitutes more than 50% of the collection in the periods examined, is particularly impacted by the absence of fiscal stimuli and the accelerated increase in tax bases, in a scenario where their effective ability to pay is not always taken into account.

Both quantitative and qualitative examination allows us to deduce that the regulatory modifications have been primarily aimed at strengthening tax collection, without adequately incorporating the principles of equity, progressivity and tax justice. Therefore, an excessive burden is manifested on those individuals who, due to the nature of their formal income, have limited room for maneuver in the face of tax planning strategies or special tax benefits.

From an ethical point of view, this constitutes an obstacle to the legitimacy of the Colombian tax system, since the tax burden should not be merely effective from a technical perspective, but also morally equitable. Tax modifications must take into account the socioeconomic circumstances of taxpayers and prevent sectors with less economic power from suffering a greater tax burden.

Therefore, it is essential that future tax reforms in Colombia explicitly incorporate the constitutional and ethical principles that regulate the tax system, such as horizontal equity, progressiveness, efficiency, and social responsibility. The objective is to strengthen not only the state's collection capacity, but also citizen confidence and distributive equity.

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