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Impact of tax benefits on indigenous councils with economic activity in Colombia

Impacto de los beneficios tributarios en cabildos indígenas con actividad económica en Colombia

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ABSTRACT

The impact of tax benefits on the economic performance of indigenous councils engaged in formal productive activities in Colombia was analyzed, with emphasis on the case of the Cabildo Indígena de Sampués. Based on a quantitative methodological approach, with a non-experimental and descriptive design, two instruments were applied: a documentary checklist to verify regulatory compliance, and a structured Likert-type questionnaire validated by experts, aimed at measuring five analytical dimensions: institutional knowledge, economic impact, use of fiscal savings, control and transparency, and general perception of the special tax regime. The results reveal a high level of normative and technical appropriation by the councils in relation to the special fiscal framework, as well as positive effects in terms of surplus reinvestment and job creation. However, significant limitations were identified in the consolidation of autonomous income, the traceability of fiscal savings use, and the effectiveness of monitoring and control mechanisms. The overall perception of the regime was favorable, although accompanied by a structural dependence on these incentives for the sustainability of community projects. It is concluded that, while the special tax regime has contributed to the organizational and social strengthening of the councils, its full economic effectiveness requires the enhancement of institutional capacities, accountability mechanisms, and complementary strategies that promote sustainable financial autonomy. The findings offer relevant empirical evidence to support the redesign of public policies with a differential approach, integrating fiscal, cultural, and territorial criteria in favor of indigenous peoples.

Keywords: Economic Autonomy; Tax Benefits; Indigenous Councils; Sustainable Development; Special Tax Regime.

RESUMEN

Se analizó el impacto de los beneficios tributarios en el desempeño económico de los cabildos indígenas con actividad productiva formal en Colombia, con énfasis en el caso del Cabildo Indígena de Sampués. Bajo un enfoque metodológico cuantitativo, de diseño no experimental y alcance descriptivo, se aplicaron dos instrumentos: una lista de chequeo documental para verificar el cumplimiento normativo, y un cuestionario estructurado tipo Likert validado por expertos, orientado a medir cinco dimensiones analíticas: conocimiento institucional, impacto económico, uso del ahorro fiscal, control y transparencia, y percepción general del régimen tributario especial. Los resultados revelan una alta apropiación normativa y técnica por parte de los cabildos en relación con el régimen fiscal especial, así como efectos positivos en la reinversión de excedentes y la generación de empleo. Sin embargo, se identificaron limitaciones importantes en la consolidación de ingresos autónomos, la trazabilidad del uso del ahorro fiscal y los mecanismos de supervisión y control. La percepción general frente al régimen fue favorable, aunque coexistente con una dependencia estructural de los incentivos para la sostenibilidad de sus proyectos. Se concluye que, si bien el régimen tributario especial ha contribuido al fortalecimiento organizativo y social de los cabildos, su eficacia económica plena requiere del fortalecimiento de capacidades institucionales, mecanismos de rendición de cuentas y estrategias complementarias que promuevan una autonomía financiera sostenible. Los hallazgos constituyen una base empírica relevante para el rediseño de políticas públicas con enfoque diferencial, que integren criterios fiscales, culturales y territoriales en favor de los pueblos indígenas.

Palabras clave: Autonomía Económica; Beneficios Tributarios; Cabildos Indígenas; Desarrollo Sostenible; Régimen Tributario Especial.

INTRODUCTION

The use of tax incentives to promote economic development and reduce structural inequalities has been widely documented in the international scientific literature. In middle-income countries, differentiated tax regimes have been used to facilitate access to the formal economy, stimulate social investment, and strengthen institutional capacities in historically excluded territories (Bird & Zolt, 2005; Martinez-Vazquez et al., 2011). However, comparative studies have warned that the effectiveness of these measures depends not only on regulatory design but also on the degree of cultural adaptation, clarity in implementation, and the strengthening of local capacities (Jiménez et al., 2017; Sepúlveda & Martínez, 2022).

In Latin America, indigenous peoples have been the subject of special tax policies aimed at guaranteeing their self-determination and economic autonomy. However, empirical evidence on the real impact of these benefits remains limited and fragmented. Recent research has highlighted the tension between national fiscal frameworks and the indigenous peoples' own forms of governance, underscoring the need to adapt fiscal instruments to specific sociocultural contexts (Roca & Araya, 2020; Stein, 2008).

In Colombia, indigenous councils are constitutionally recognized as public entities with self-government functions, including the ability to develop economic activities and access the special tax regime provided for in Article 19 of the Tax Statute (Congress of Colombia, 1989). This regime grants exemptions, such as income tax exclusions, VAT exemptions, and preferential filing conditions. However, few studies have evaluated the extent to which these provisions have strengthened the councils' economic, financial, and social positions.

The present study aims to analyze the impact of tax benefits on the Indigenous Council of Sampués, located in the department of Sucre, Colombia, a community with a tradition of organization and formal economic activity in sectors such as agriculture, handicrafts, and local commerce. Using a quantitative methodology that combines a documentary checklist with a structured Likert-type questionnaire, the study evaluates the level of institutional knowledge about the special tax regime, the effective use of tax incentives, their perceived impact on income, social reinvestment, and employment, as well as the general perception of the adequacy and relevance of these benefits. This research seeks to provide useful, contextually grounded evidence for the design of public policies with a differential approach, integrating fiscal, cultural, and territorial criteria, and strengthening the economic autonomy of indigenous peoples in Colombia.

METHOD

This study adopted a quantitative methodological approach within the positivist paradigm, aiming to obtain an accurate, measurable understanding of the effect of tax benefits on the economic performance of indigenous councils engaged in productive activities. From this perspective, we assumed that social phenomena can be observed objectively and that perceptions, when properly structured, can be analyzed statistically (Hernández et al., 2014).

A non-experimental, descriptive design with a cross-sectional scope and field application was chosen. Variables were not manipulated but were observed as they occurred in their natural context, allowing us to describe how councils use tax benefits and the effects they perceive on their financial autonomy, social investment capacity, and economic sustainability (Sampieri et al., 2022). The information was collected at a single point in time, which defines the study's cross-sectional nature.

The sample consisted of representatives of legally recognized indigenous councils in Colombia, with registered economic activity and participation in the special tax regime stipulated in the Tax Statute (Congress of Colombia, 1989). Access to the sample was achieved through non-probabilistic convenience sampling, given the availability of documents and the willingness of institutional actors to participate.

Two instruments were used to obtain the information. The first was a documentary checklist, designed to verify whether the councils met certain formal requirements and had tangible evidence of the application of tax benefits, such as assembly minutes, tax returns, and accounting records. This instrument enabled systematic, objective observation of regulatory compliance.

The second tool consisted of a structured questionnaire with a five-level Likert scale, containing 24 items organized around five thematic dimensions: institutional knowledge, economic impact, use of tax savings, control and transparency, and overall perception of the regime. Each question was answered on a scale ranging from "strongly disagree" to "strongly agree." The questionnaire construction included a content validation stage with specialists, and the reliability test yielded a Cronbach's alpha coefficient greater than 0,80, indicating high internal consistency (George & Mallery, 2019).

Data analysis was performed using descriptive statistics, including measures of central tendency (e.g., mean and mode) and measures of dispersion (e.g., standard deviation). For the checklist, the data were coded dichotomously (compliant/non-compliant), and compliance percentages were calculated for each required document. All processing was performed using SPSS (version 25) and Microsoft Excel.

This methodological approach enabled the construction of a clear, structured view of the real and perceived impact of tax benefits on the economic and fiscal governance processes of indigenous councils in Colombia, providing empirical data to support future public policies aimed at strengthening these communities.

RESULTS

The analysis of the data identified relevant patterns in the understanding, application, and perception of tax benefits by indigenous councils with economic activity under the special tax regime in Colombia. The analysis structure was organized around the five thematic dimensions established in the questionnaire: institutional knowledge, economic impact, use of tax savings, control and transparency, and general perception of the regime, complemented by findings from the documentary checklist.

Regarding institutional knowledge of the special regime, the results show a high level of regulatory ownership among the representatives surveyed. Sixty percent of participants strongly agreed they were aware of the tax benefits offered by the regime. In comparison, an additional 40 percent agreed, resulting in a weighted average of 4,6 out of 5 and a standard deviation of 0,52. This trend was maintained when evaluating the availability of trained personnel in the field: 70 % strongly agreed that their council has technical personnel to manage these benefits. At the same time, the rest expressed lower levels of agreement. These results suggest that the appropriation of the regulatory framework transcends general knowledge and reaches operational levels that allow for its effective application.

To facilitate the aggregate understanding of the data obtained from the structured questionnaire, a quantitative summary was prepared that presents the mean, standard deviation, and modal trend for each of the evaluated dimensions; see table 1.1.

Table 1.1. Descriptive statistics by thematic dimension evaluated

Dimension Evaluated	Mean (1-5)	Standard Deviation	Dominant Trend
Knowledge of benefits	4,14	0,95	Strongly agree
Trained staff	4,21	1,05	Strongly agree
Reinvestment of profits	3,93	1,21	Strongly agree
Job creation	4,07	0,83	Agree
Social investment	3,62	1,26	Agreed

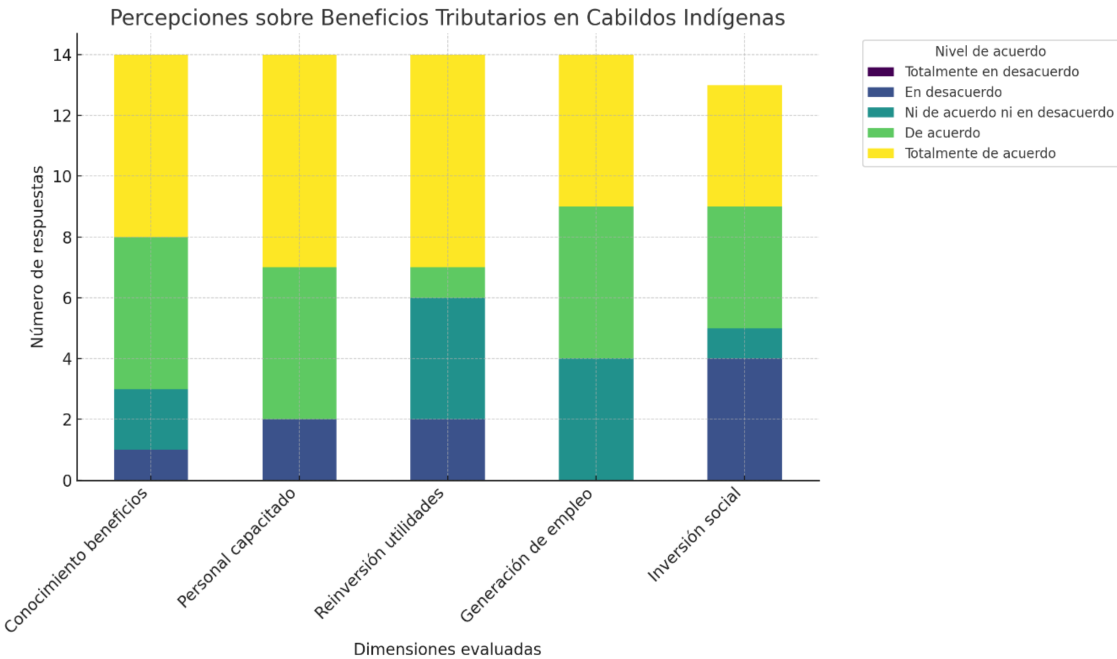

Figure 1.1. Institutional perceptions of the special tax regime in five dimensions

In terms of perceived economic impact, the assessment is predominantly positive, although heterogeneous. Seventy percent of representatives indicated they had reinvested the surpluses generated by the income tax exemption, demonstrating active use of tax savings for strategic purposes. Likewise, fifty percent stated that these benefits have contributed to the creation of new jobs in their community. However, when asked about the direct increase in income, only 30 % responded affirmatively, while 40 % opted for a neutral stance (see figure 1.1). These results reflect a favorable perception of investment and employment, but a more reserved view of the regime's ability to boost sustainable, autonomous income.

Regarding the use of tax savings for social investment programs, the findings show that 60 percent of respondents reported allocating part of their savings to initiatives aimed at collective well-being, such as health, education, and cultural enrichment. However, 20 percent disagreed with this statement, suggesting disparities in budget execution, possibly associated with technical, administrative, or regulatory constraints. Complementarily, 40 percent of respondents said that tax benefits have had a positive effect on the quality of life of beneficiary families. At the same time, the rest did not perceive a clear impact in this regard.

The dimension of control and transparency yielded mixed results. Although all participants reported not having been subject to tax penalties in the last five years, only 60 percent indicated having annual reports on the use of exempted tax resources, and half stated that their council was subject to an independent external audit. Furthermore, only 40 percent said they filed their income and asset declarations with the tax authority promptly. These data reveal adequate formal compliance in some areas but also highlight weaknesses in internal and external oversight mechanisms that may compromise long-term fiscal transparency.

The overall perception of the special tax regime was highly favorable. Eighty percent of participants considered that this legal instrument strengthens the development of the indigenous social sector, and all respondents said they would recommend maintaining or expanding these benefits. However, 50 % acknowledged that, without the fiscal support received, several of their productive and social projects would not be sustainable, raising concerns about the structural dependence of the councils on these incentives in the absence of additional sources of financing or institutional strengthening.

Finally, the results derived from the documentary checklist revealed partial compliance with the formal requirements established by current regulations. Ninety percent of the councils surveyed submitted an updated non-taxpayer/RUT certificate and the assembly's minutes approving the budgets. Eighty percent demonstrated compliance with the submission of income and asset declarations. However, only 40 % reported having complete documentation for VAT exemption, and only 30 % provided detailed accounting records for revolving funds. This finding suggests that, although there is a regulatory provision, there remain limitations in document organization and accounting traceability that must be addressed to strengthen fiscal governance and accountability.

DISCUSSION

The results confirm a high level of regulatory appropriation by indigenous councils regarding tax benefits, consistent with the argument put forward by Hernández et al. (2014) on the need for technical knowledge for the effective management of fiscal tools. Specifically, they argue that institutional training is a prerequisite for transforming tax incentives into tangible results (see methodology section) sciencedirect.com+2redalyc.org+2revistas.udea.edu.co+2.

However, beyond the regulatory domain, the effectiveness of the tax regime in improving economic performance depends on its ability to generate additional sustainable resources. In this regard, studies on incentives in science, technology, and innovation (Solano Campos et al., 2020) and on deductions for social investment (Ramírez & Gómez, 2022) report improvements in productivity and job creation, but emphasize that coverage and effective use are variable. Our results show a similar divergence: although 70 % reinvest profits and 50 % report job creation, only 30 % perceive a substantial increase in income, suggesting that tax benefits operate more as a mechanism for sustaining growth than for autonomous growth.

This finding is consistent with the OECD's (2022) conclusion that tax benefits in Colombia entail a high fiscal cost without necessarily producing clear redistributive or productivity effects. The authors warn that the design of these incentives requires clear benchmarks and individualized monitoring, which indigenous councils also lack, especially in their control and audit mechanisms, as evidenced by our results on fiscal transparency.

The heterogeneity in the allocation of tax savings (with 20 % non-compliance in social investment) reinforces the observations of Galvis et al. (2019), who warn that exemptions can be effective instruments of local competitiveness, provided they are accompanied by strong local governance and effective monitoring of resources reddit.com+15portal.amelica.org+15portal.amelica.org+15. In the municipal cases studied, a lack of oversight prevented the benefits from being converted into territorial improvements; in this sense, our findings reflect a similar situation in the indigenous sphere.

Likewise, Cardona Buitrago (2021) argues that tax benefits granted by territorial entities can generate significant productive transformations when there is solid territorial autonomy and a clear legal framework. In the case of local councils, their own institutional framework gives them a comparative advantage in structuring incentives. However, the weakness of their documentation (only 40 % have records for VAT and revolving funds) indicates a lack of formal consolidation, which limits the efficient use of tax autonomy.

Finally, although the interviewees' support for the regime is high, their warning about the regime's structural dependence on tax benefits resonates with Rojas & Suárez's (2021) findings. They warn that incentives, especially in extractive industries, can become implicit subsidies that undermine redistribution and perpetuate inequalities, leading to negative socio-environmental effects.

In summary, the results of this study show that although indigenous councils have high levels of knowledge and use of tax benefits, they face limitations in transforming these benefits into real sustainability, productive autonomy, and robust internal control. In line with the academic consensus, monitoring, accountability, and technical professionalization mechanisms need to be consolidated so that these tools can realize their transformative potential in favor of the economic and social development of these communities.

CONCLUSION

The following conclusions can be drawn from the results presented, their analysis, and discussion: The indigenous councils surveyed have a high level of institutional knowledge about the special tax regime, as well as a growing technical capacity for its implementation, suggesting significant progress in the regulatory and operational appropriation of the differentiated fiscal framework. Despite widespread recognition of the regime's value, the perceived economic effects are mixed. Reinvestment of profits and job creation have been possible in many cases. However, the direct impact on income growth is limited, indicating that tax benefits act more as mechanisms for sustainability than for economic expansion. The use of tax savings in social programs shows significant disparities among local councils, reflecting differences in budget planning and institutional capacity to transform tax exemptions into sustainable collective well-being. Control and transparency mechanisms have substantial deficiencies. Although no sanctions are reported, weaknesses persist in the preparation of annual reports, external auditing, and accounting traceability, particularly regarding VAT documentation and revolving fund records. Finally, the positive perception of the special tax regime coexists with a structural dependence on its benefits for the viability of productive and social projects, highlighting the need to strengthen indigenous economic autonomy through complementary strategies that transcend the fiscal sphere.

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CONFLICT OF INTEREST

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