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DEVELOPMENT PLANNING AND INVESTMENT (TAX) John C. Ramos

Monthly Project Report For the Month of November, 1969 11/31/69

A. Significant Changes and Events:

1. Mr. Ernest J. Grayson, TDY Collection Advisor and the Mission's tax advisor developed a detailed procedure for listing, classifying, and controlling delinquent taxes of all property tax matriculas valued at Q10,000 and over. This system was prepared at the request of the Tax Administration Reform Commission, and was fully discussed with the Director of Rentas and Chief of the Collections Section prior to presentation to the Commission.

2. On November 26, the Minister of Finance approved the system with the only exception that the "Recaudadores Ambulantes" will not for the present be placed under the jurisdiction of the Collections Section. It was the concensus of the Commission that to make this radical personnel change now might cause political repercussions that could possibly cause cancellation of the entire system.

   In brief, the system calls for the Matricula Section of the Directorate General of Rentas to list, by Department (Counties) the matricula number, taxpayer's name in full and total property value as of September 30, 1969. These lists will be transmitted to the "Seccion de Control de Impuestos" and this latter Section will compare the values per listings with the value per "Current Account Card". Any differences will be reconciled. Further, the Control Section will indicate any delinquencies in these matriculas and fill in a form (also designed by the Mission's tax advisors) that will be transmitted to the Collections Section. The Collections Section will then give priority to the collection of these delinquent property tax matriculas.

   On the basis of available statistics it was determined that there are approximately 20-25,000 matriculas with value of Q10,000 or more. These represent from 6 to

10% of the total taxable matriculas, but represent approximately 70% of the total taxable land values. It was also estimated that the potential property tax on these matriculas is 4.5 million quetzales. Cost budgets have been prepared and one these are approved, work will begin.

3. The Director General of Income Taxes has also approved the internal controls for the two tax collectors referred to in last months report. Two candidates have been selected, but for the reason that most employees are given their vacation during December, the collectors will not be hired until January, 1970.

4. Also approved in principle, but which will require more analysis was Mr. Grayson's reorganization of the Directorate General of Rentas.

5. Collections of ordinary and consigned revenues for the month of October are shown on Schedule (A) attached.

6. The Vice Minister of Finance asked the Mission's tax advisor to make an objective study of the enforcement activities of the Audit Division of the Income Tax Directorate. Apparently, a report submitted to the Vice Minister about the effectiveness of the Audit Division prepared by Inspección de Hacienda was clouded due to personality clashes between Inspección and Audit Division personnel. The study was made and a report submitted to the Vice Minister.

7. Mr. Ernest J. Grayson, TDY Tax Collection Advisor, departed from Guatemala enroute to New York on December 1, after completion of a 60-day TDY assignment. The Minister of Finance asked if Mr. Grayson could stay on for another period, but due to Mr. Grayson's personal plans was informed that he could not presently stay.

8. Effective November 11, there was a Presidential Decree issued exonerating all tax delinquency penalties (up to Q3,000) provided taxpayers paid the tax due by December 31, 1969.

9. Two draft PIO/P's were begun in November. One to cover two (2) Supervisors to the Supervisory Development Course and one to cover one (1) participant to the Middle Management Seminar. Both courses are included in the IRS INTAX program.

B. Actions Planned:

1. Meetings will continue to be held at the National Planning Council with respect to the overall report on tax administration stated in October's Report. Dr. Oscar Bueso of the OAS/IDB tax mission was transferred to Panama, and it is anticipated that he will be replaced by another OAS/IDB tax technician.

2. The possibility exists that the Mission's tax advisor and a member of the Tax Administration Reform Commission may visit Panama for the purpose of selecting excess property. The Minister of Finance has given assurance that any excess property selected would be immediately shipped to Guatemala. The Minister has also offered to provide air transportation, via Aviateca.

3. The Mission's tax advisor anticipates to be on leave from approximately December 22 through January 2. Most employees of the COG tax offices are required to take their leave in the month of December.

C. Decisions Required:

None.

Drafted by:
AID/ECON:JCRamos:ame - 12-4-69

GUATEMALA

Status of Ordinary and Consigned Revenues October 31, 1969

	Collections (Thousands) 1/1-10/31/68	1/1-10/31/69	'69 vs '68 Over (Under)	Budget 1/1-10/31/69	'69 Coll vs '69 Budget Over (Under)
ORDINARY REVENUES					
Taxes:					
Income	14,020.6	15,099.4	1,078.8		
Realty & Transfer	4,867.1	4,172.6	(694.5)		
Import	20,318.6	23,367.5	3,048.9		
Export	4,384.6	4,664.5	279.9		
Consumers: Products	23,048.1	25,814.6	2,766.5		
Services	2,550.3	2,901.5	351.2		
Commercial Activities:					
Revenue Stamps & Paper	27,758.0	28,294.6	536.6		
Other	1,630.7	1,484.3	(146.4)		
Total Taxes	98,578.0	105,799.0	7,221.0		
Other:					
Rents, Public Services, Lottery, etc.	7,492.0	6,598.3	(893.7)		
Income from Ministries	--	1,740.2	1,740.2		
Total Ordinary Revenues	106,070.0	114,137.5	8,067.5	119,701.1 (84.13%)	(5,563.6)
CONSIGNED REVENUES					
Taxes:					
Decree 132 - Airport (Landings, etc.)	302.8	309.6	.2)		
Decree 435 - Liquor & Cigarettes	519.8	523.5	3.7		
Decree 934 - Liquor	989.5	1,047.2	57.7		
Decree 1269 - 10% Customs Receipts	2,854.4	3,323.4	469.0		
Total Consigned Taxes	4,673.5	5,203.7	530.2		
Other: Coffee Diversification Fund	--	854.1	854.1		
Interest-Amortization Funds	101.6	147.6	46.0		
Decree 38 - Liquor Bottle Caps	16.9	--	(16.9)		
Telephone Receipts	2,118.5	2,321.9	203.4		
Retirement Deductions	1,849.4	2,001.6	152.2		
Total Consigned "Other"	4,086.4	5,325.2	1,238.8		
Total Consigned Revenues	8,759.9	10,528.9	1,769.0	9,639.5 (80.80%)	889.4
Grand Total - Ordinary & Consigned	114,829.9	124,666.4	9,836.5	129,340.6	(4,674.2)

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