

Encl case IRS reports

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UNITED STATES GOVERNMENT

Memorandum

PD-AAA-917-E1

TO : Mr. James Lockard,
Guatemala Desk Officer, AID/W

DATE: September 14, 1972 4p.

FROM : John Ferch
Associate Director/ECON

SUBJECT: Monthly IRS Team Leader's Report for the month of August, 1972

In compliance with TAAS/IRS/Washington request, attached herewith the monthly progress report for the month of August 1972, prepared by the Tax Advisor, Mr. John C. Ramos, as part of the IMPACT reporting system.

/vca
attachment: a/s



John C. Ramos

Development Planning and Investment (Tax)

Monthly Project Report for the Month of August, 1972

A. SIGNIFICANT CHANGES AND EVENTS:

1. On August 1, thirteen (13) Delinquent Tax Collectors were officially contracted. This represents another first in Guatemala's efforts to reform tax administration practices. These are the first employees of the tax office specifically hired to collect delinquent accounts; heretofore collectors were paid on a commission basis.
2. Mr. David J. Armijo, TDV General Management and Audit Advisor arrived in Guatemala on August 1, he is making an analysis of the 1972 audit program, and the special Sales Tax Audit program initiated in July.
3. The ADP advisor continues to assist in update systems of the Sales Tax. A four-man committee was created to study the feasibility of computerizing the Property Tax Current Account Card operations (2 from ADP Department of the Ministry and 2 from the tax office); the Mission's ADP advisor coordinated the activities of the Committee; results of their deliberations will be reported when completed in September. The ADP Advisor also assisted in drafting an outline for computer feasibility study to be undertaken by manufacturer's representatives. All contacts, however, between manufacturer's representative and the Ministry are to be made through the Data Processing Department's Chief.
4. A more complete and current training course for Indirect Methods for Determining Income (Net Worth and Source and Application of Funds) was prepared; this course will be given to the Tax Inspectors during September to compliment their audit techniques training being received at the University of San Carlos.
5. A special report covering the J.L. Jacob's Co., Inc., three year report on the Property Development Loan was prepared by the Mission's Senior Tax Advisor.
6. The following is a summary of the results of the delinquent Sales Tax notices program initiated in July; these results are as of 31 August, 1972.
 - a. No. notices sent: 19,256
 - b. No. Returned (unknowns, inexact address, etc.) 8,245
 - 11,010
 - c. Tax payers who appeared to clarify their situation 2,142

Of (c) above 1325 paid the following fines, and their registry was cancelled: Q. 12,345.30

Of (c) above 592 taxpayers were activated and they paid the following amount of tax: Q. 16,760.20; the tax rate is 1 1/2%, therefore the tax paid represents Q1,113,746.67 - in undeclared sales

- d. Of (c) above 225 cases are pending special investigation (deceased taxpayers or persons who left the country).
 - e. Taxpayers whose notices were not returned by the Post Office, and assumed to have received notice of delinquency but have not appeared to clarify their situation are 8,868. These taxpayers will be visited by tax inspectors.
7. The statistical report for the period 1968 through 1971 and the first and second quarters of 1972 was completed during August, and charts should be available in September.
 8. Collections of ordinary and consigned revenues for the month of July, 1972 is attached. The increase in total taxes of \$2,378.9 thousand is 2.77% over the comparable period for 1971; however, eliminating the decrease in import and export taxes for the 7-month period, the increase in internal revenue is \$4,344, or seven (7) percent. Likewise, 45.6% of the tax budget deficit is attributable to deficits in customs collections versus customs estimates.

B. ACTIONS PLANNED

1. Report on analysis of GOG 1972 audit program, and make recommendations where necessary for improvements.
2. With arrival of Mr. F. Marion Coburn, Collections/Processing Advisor in September, plan activating delinquent licenses, and assist in development of system to prevent and/or rapidly identify delinquencies.
3. Plan initial training for systems Analysts.
4. Conduct training sessions for Indirect Methods, see 4 above.
5. Continue assistance in reorganization implementation of systems and procedures.

C. DECISIONS REQUIRED:

1. Formal approval of the Delinquent Tax Procedures Manual by the Director General of Internal Revenue. The problem causing delay in formal approval is a legal one, unrelated to the Manual itself but which must be resolved before approval can be given; there appears to be a problem with authority in granting part-payment agreements to taxpayers. The Ministry's legal department is considering the problem.

GUATEMALA

Status of Ordinary and Consigned Revenues July 31, 1972

Collections	(Thousands)	'72 vs '71	Surplus	'72 Col'd vs
1/1-7/31/72	1/1-7/31/72	Over (under)	1/1-7/31/72	'72 Surplus
				Over (under)

ORDINARY REVENUES

Taxes:

Income	11,694.3	11,991.2	296.9	13,547.3	(1,556.1)
Realty & Transfer	3,204.8	4,321.1	1,116.3	4,240.2	80.0
Import	19,881.5	18,935.6	(945.9)	20,178.8	(1,243.2)
Export	4,996.0	3,986.8	(1,009.2)	6,501.9	(2,515.1)
Consumers: Products	20,435.8	21,529.6	1,093.8	21,731.7	(202.1)
Services	2,801.6	2,849.1	47.5	3,130.7	(281.6)
Commercial activities:					
License, Transactions					
& Other	11,988.1	13,027.6	1,039.5	14,622.9	(1,505.3)
Sales	11,552.4	12,292.4	740.0	13,218.0	(25.6)
Total Taxes	<u>86,554.5</u>	<u>88,933.4</u>	<u>2,378.5</u>	<u>97,171.5</u>	<u>(8,238.1)</u>

Other:

Rents, Public Services					
Lottery, etc.	5,668.8	6,275.0	606.2	5,950.5	211.5
Income from Ministries	1,630.7	1,059.2	(571.5)	935.0	124.2
Total Ordinary Revenues	<u>93,854.0</u>	<u>96,167.6</u>	<u>2,313.6</u>	<u>102,057.0</u>	<u>(7,889.4)</u>

CONSIGNED REVENUES

Taxes:

Decree 132 - Airport					
(Landings, etc.)	194.4	185.6	(8.8)	207.0	(21.2)
Decree 453 8934 -Liquor					
& Cigarettes	1,178.9	1,180.0	1.7	1,170.2	10.6
Decree 1269 - 10%					
Customs Receipts	2,836.4	2,536.2	(300.2)	3,285.8	(740.6)
Total Consigned Taxes	<u>4,209.7</u>	<u>3,902.4</u>	<u>(307.3)</u>	<u>4,663.0</u>	<u>(760.6)</u>

Other:

Interest -Amortization Funds	167.9	153.3	(14.6)	172.7	(19.4)
Coffee Diversification Fund	644.7	543.9	(100.8)	619.2	(75.3)
Telephone Receipts	1,709.2	617.3	(1,091.9)	--0.0	617.3
Retirement Deductions	2,424.4	2,469.9	25.5	2,407.0	42.0
Total Consigned "Other"	<u>4,946.2</u>	<u>3,764.4</u>	<u>(1,181.8)</u>	<u>3,198.9</u>	<u>265.5</u>
Total Consigned Revenues	<u>9,155.9</u>	<u>7,666.8</u>	<u>(1,489.1)</u>	<u>7,861.9</u>	<u>(195.1)</u>

Grand Total -Ordinary & Consigned

<u>103,009.9</u>	<u>103,834.4</u>	<u>824.5</u>	<u>111,918.9</u>	<u>(8,084.5)</u>
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