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MEMORANDUM

RECEIVED

JUL 29 1971

DIRECTOR  
FOREIGN TAX ASSISTANCE STAFF

To: Mr. Joseph R. Harmon, Director  
Foreign Tax Assistance Staff  
Internal Revenue Service, Room 1409  
1111 Constitution Avenue, N.W.  
Washington, D.C. 20224

From: Raymond G. Bateman, Acting Senior Tax Advisor

Subject: Monthly Report - June 1971

General

Tax Collections January through May were:

(In 000 Guaranies - 126 Guaranies = \$1.00)

	<u>1970</u>	<u>1971</u>
Real Property Taxes	206,617	222,707
Income Taxes	356,354	379,584
Sales Taxes	169,530	164,867
Internal Taxes	1,366,998	1,371,597
Cigarette Stamp Taxes *	120,994	96,184
Custom's Tax **	626,798	607,171

\* Included in Internal Tax Total

\*\* Not monitored by Tax Team

The three tax offices monitored by the Tax Team show overall increases January through May 1971 over the same period in 1970. The drop in Cigarette Tax collections continues to be a drag on increases in the Internal Tax office.

On June 10, at the invitation of Lic. Juan del Rosario Martinez, Director, Internal Tax Office, I accompanied him and two Mexican officials from the Interamerican Development Bank on a field trip. We visited Internal Tax Offices in Villarrica, Coronel Oviedo and several smaller towns enroute.

I attended a dinner party the night of June 25 hosted by Director Martinez. This party was in honor of several OAS officials who were departing from Paraguay the following day. The other two Tax Directors, the Vice Minister of Finance and several more Finance Ministry officials also attended.

The Inspector General of the Ministry of Finance invited me to make a field trip with the Finance Minister and other high Paraguayan Government officials. The purpose of the trip was to view several projects under construction including a new Impuestos Internos building in the town of Ybocui located about 100 miles from Asunción. The trip was scheduled for Sunday, June 27, but was postponed to July 3 due to heavy rains. I'll give details on the trip in the next monthly report.

A PIC/C for Tax Administration totalling \$5,975 has been approved by the AID Mission. These funds are being used to purchase office machines and equipment for the three tax offices and the office of Inspector General in the Ministry of Finance. Approximately \$1,500 was allotted to each office.

#### Income-Sales Taxes

A General Taxpayer Register (El Registro General de Contribuyentes) was established by Decreto on June 17. The first step was to include taxpayers from the Income Tax Office and later taxpayers from the other tax offices. Much opposition against the Decreto was expressed by high government officials for various reasons. The latter part of June implementation of the Decreto was postponed to January 1, 1972. Recently some Government officials have reversed themselves and now express support for establishing the General Register. In fact I have been requested by the Inspector General of the Finance Ministry to assist with developing plans for implementing the Register. The Inspector General has further requested that I personally discuss the matter with the Minister of Finance.

Unfavorable publicity has been building up in the local press regarding the new Income Tax Law and Regulations. Some criticism is certainly justified. Preparations for implementing this new law have moved rather slowly in the Income Tax Office. I would not be surprised to see the effective date changed to possibly January 1, 1972.

With the approval of Director González we were able to obtain some additional statistical data which we will be including in our Quarterly Statistical Reports.

The office has now received 7 of 10 IBM printouts which, if kept current, will improve various operations in the office and also provide meaningful statistics.

During the month personnel in the office were focusing most of their attention on the new I.T. law.

Internal Taxes

A one week training course of 3 hours per day has been prepared for Inspectors in the Inspector General's Department. The course was developed by the O & M Group and the Inspector General. It is scheduled to be conducted during July. A number of handouts will be give to the participants. Later these handouts will be utilized as a basis for preparing a procedures manual.

The Vehicle Registrants Program (Patente Fiscal de Autovehiculos) continues to progress very well. Collections for June 1971 showed an increase of 113% over June 1970. Director Martinez has provided two additional employees to work on developing the master file. During the month Inspectors placed about 2,000 delinquency notices on vehicles that did not have a Patente Stamp on the windshield. This work was performed in the afternoons and Inspectors are receiving as compensation 50% of the fines collected from the vehicle owners on whose vehicles they personally placed delinquency notices.

Real Property Taxes

The old records have been removed from the Files Section and destroyed. Installation of the revised records maintenance system has begun. The Director has recently requested that this O & M project be expanded to include a review of all records retained in the tax office. We plan to start work on this phase of the project about the middle of July.

Dr. Zarate advised that he will soon meet with the Minister of Finance to discuss delayed commission payments to collectors. The problem is particularly serious since the collectors receive no salary and must depend entirely on commission payments.

*Raymond S. Bateman*