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MEMORANDUM

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

From: William B. Flaherty, Senior Tax Advisor

Subject: Monthly Report for August 1971

I returned to post from home leave on August 12. The tax program was functioning quite satisfactorily, principally, due to Ray Bateman's successful efforts to stay on top of things during my absence.

Internal Taxes (Impuestos Internos)

The O & M function in this office continues to show very good progress. The latest work plan-oriented project is a review of forms with a view toward eliminating obsolete forms consolidating others, and, as needs indicate making recommendations for new forms for processing and control of documents.

A tax team suggestion that an office collection (apremios) section be established was favorably received by the Director, and on September 1, he issued the implementing decree. This is a real positive step for that office, and its successful implementation will also afford taxpayers an opportunity to discuss their tax liabilities with responsible officials, before paying them, as well as speed tax collections in the office.

Although some difficult problems have been encountered, the office is continuing with a tax-team-advised feasibility study for the establishment of a Master File for the cattle taxes administered by Impuestos Internos.

Income-Sales Taxes (Impuesto a la Renta y Ventas)

We have nothing new on the Income Tax law, now postponed to be effective January 1, 1972. The official reason for postponing the law was that implementing regulations were not ready. Since these regulations are now being submitted to the Executive for approval, there appears now to be no basis for further postponement.

Bill Meaders arrived on September 9 and is now beginning to coordinate both with the Income-Sales tax office and the Office of the Inspector General of Finance on high priority projects in both of these offices. He will concentrate principally on audit procedures, forms design and the development of a training course for auditors.

Real Property Taxes (Impuesto Inmobiliario)

We reported last month the Real Property Tax Office planned to open three regional offices by mid August. This was not done. We intend to keep pushing this important project. The Director is presently attending the CIAT Real Property seminar in Panamá. In spite of the pachydermic movement of this project, and some others, we're optimistic, that shortly after his return to Asunción we'll have some positive action on this proposal.

11/15/72
The field collection program continues to be suspended. The Director has advised us that he will try to get the minister's support for reinitiating and supporting this project on his return. As we reported before, the program was halted because collectors were not receiving their collection commissions from the government.

8/21/72
The records review program continues well in this office. The destruction of old and obsolete records continues on schedule.

Miscellaneous

All documentation is now completed for the two representatives of the Ministry of Finance - Sr. Félix Guzmán Acosta, Inspector General of Finance and Dr. Brígido Rodríguez Baes, Chief Technical Advisor to the Minister of Finance to attend the INTAX Middle Management Seminar in Albuquerque.

10/27/72
The ProAg and PIO/T for the Tax Administration project for 1972 are signed.

Arrangements are being completed for space in the Inspector General's office for me. Some refurbishing is underway, and it should be ready this month.

Other

Beginning with our September report and quarterly thereafter, our monthly narrative report will contain a separate section which will relate progress, as the lack of it, on our principal projects to our annual work plan.