

Monthly Report - Guyana - Sep.

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NARRATIVE REPORT

GEORGETOWN, GUYANA. 3p.

SEPTEMBER, 1971

Statistics

The following is a comparative analysis of tax collections cumulative to September 30, 1970 and 1971:

	<u>1971</u>	<u>1970</u>
Income Taxes	20,202,496	33,214,350
Property Tax	541,153	325,103
Estate Duty	452,461	426,608
Capital Gains	17,247	50,250
Corporation Tax	4,945,939	-
Travel Tax	49,725	58,727
Totals	<u>26,209,021</u>	<u>34,075,038</u>
Difference		7,866,017

If the present trend of collections continues and there is nothing to indicate any acceleration, the total for the year 1971 will be about \$34,945,494. This will be the lowest annual collections since 1967. Collections in 1970 totalled 52 million plus. Budget estimates for 1971 were fixed at \$61,536,100. The shortfall will be \$27,590,606 or 13.4% of total projected receipts (\$205,833,466), 21.9% of current receipts, taxes, customs etc. (\$126,991,100) and 44.8% short of the Inland Revenue Budget estimate. Customs duties have also fallen below projected receipts due to CARIFTA and curtailment of imports in general.

Licence Revenue Office

The Licence Revenue (Motor Vehicles) is under the direction of the Commissioner of Inland Revenue. The Commissioner asked the Senior Advisor whether USAID would finance a trip to the United States for the Chief of Licence Revenue to observe motor vehicles controls and procedure in a State Office.

In my April 1971 Monthly Narrative Report, I stated I had visited the Licence Revenue Office at the request of the Commissioner to make a survey of the office and make recommendations to improve operations. The April report discusses my survey. One of the last things I told the Chief of Licence Revenue was to come to the Income Tax Office and we could sit down with a programmer and design systems to be programmed on the computer.

Although 6 months have passed since I made the survey the Chief of Licence Office never contacted me. I also stated in the April report that a survey was made in February 1968 by a Deputy Director of the Motor Vehicle Office of the Commonwealth of Massachusetts. The report contained very many excellent suggestions and recommendations. None of these have been implemented to date. More than three years have elapsed since the date of the survey. I told all of this to Devonish who said he never read the survey; subsequently I furnished him with a copy. I said in view of the obvious lack of interest in this project no useful purpose would be served to have USAID finance such a trip. The Mission Director concurs.

Objections or Abeyances

There is a tremendous backlog of protests against proposed assessments made by the Tax Office. Ted Controulis mentioned this area in his survey. Since that survey the number has more than doubled. In order to reduce this backlog, the Commissioner has created two committees to establish criteria to reduce or eliminate those proposed assessments which seem arbitrary.

Assessments

In making desk audits without the presence of the taxpayer, net profit of a business is determined as 7 $\frac{1}{2}$ % of Gross Receipts. The procedure is provided for in Section 48(3)(1) of the Income Tax Ordinance. I pointed out to the Commissioner that applying a uniform profit ratio, some taxpayers were being charged too much profit (and this leads to objections), while other taxpayers were underpaying. As an example: a retail store might have a 4% net profit while a service organization might have a 50% profit. I furnished the Commissioner with a copy of IR Manual 4234 which gives an indication of net profits for various types of businesses.

Balancing

The individual accounts receivable have been out of balance with the control accounts since 1964.

Balancing was started early this year and accounts through 1968 have been brought into balance. This work was done by the Senior Computer Programmer who is extremely intelligent and capable. This type of work was generally done in the U.S. by a Grade 4 or 5 accounting clerk. From the foregoing it is evident that there is a lack of qualified personnel in the Tax Office.

Professionals

As previously reported, a law requiring professionals to register with the Tax Office to obtain a certificate to practice was passed. In many instances, these professionals have not filed returns for some years. Arbitrary assessments will be set up on the non-filers. Undoubtedly many of the professionals will file objections to the assessments.

Participants

A PIO/P was prepared for six Guyanese to attend a special training course on Middle Management. Dr. McNutt made the necessary arrangements although he did not have sufficient responses from other English-speaking countries to attend the announced seminar. Subsequent to the selection by the Commissioner, of 5 supervisors and one Assistant Commissioner to attend the seminar, Assistant Commissioner George Wong withdrew. The Commissioner specifically wanted Wong to attend the course because the Commissioner had previously designated Wong as responsible for training in the Tax Office. No supervisory training has ever been given in the office and it is in this area that the Commissioner wanted to place future emphasis. Wong withdrew because he felt he was at too high a level to attend the seminar with the other participants. Wong has never been exposed to supervisory or managerial training. Another supervisor was substituted for Wong. This will be the first time the Tax Office will send participants to an INTAX course.