10-1-1973

Taxation

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Recommended Citation
M. J. Langer, Taxation, 5 U. Miami Inter-Am. L. Rev. 592 (1973)
Available at: http://repository.law.miami.edu/umialr/vol5/iss3/9
CARIBBEAN REPORT

Tax Havens Program

The Practising Law Institute will present a two-day program on "Foreign Tax Havens — Organizing Foreign Companies" to be repeated at three different locations in December 1973 and January 1974. The program will concentrate on five of the most popular tax haven countries—the Bahamas, Bermuda, the Cayman Islands, the Netherlands Antilles and Panama. The program will first be presented in Miami on December 3-4, with the Miami program co-sponsored by the University of Miami Law Center. It will be repeated in Los Angeles on January 14-15 and in New York City on January 28-29.

BERMUDA

The 1973-74 Bermuda budget introduced a payroll tax. It is levied on employers at a rate of 5% of their total salary payments to employees. It remains to be seen whether this tax will represent any threat to Bermuda's status as a tax-free haven.

CAYMAN ISLANDS

Tax Concessions Law Extended

The Tax Concessions Law has been amended so as to eliminate the 1993 cut-off date on guarantees against taxes given by the Cayman Islands Government to exempted companies. A newly incorporated exempted com-
pany can now be granted a guarantee against taxes running for up to thirty years from the date on which the concession is granted.

Cayman exempted companies will also continue to be exempt from stamp duty on instruments executed by them outside of the Cayman Islands.

DOMINICA

Income Tax Amendment

Where a company earns income from a development project which is exempt from income tax, its dividends derived from such earnings are also exempt under the Income Tax (Amendment) Act 1973.

GRENADA

Withholding Tax

Grenada now imposes a 30% withholding tax on most rents, royalties, premiums and annuities paid to non-residents, except as reduced by income tax treaties. This withholding tax was imposed by the Income Tax (Amendment No. 2) Act, 1972. The same Act also restricts the deduction of expenses paid by Grenada businesses to foreign-based offices to a maximum of 1% of gross income derived by the business from sources in Grenada.

International Business Companies

Grenada has enacted a new law providing for tax-free and low-tax international business companies. Similar laws already exist in Antigua, Barbados and St. Vincent.

There are two types of these international business companies. Those which are not investment companies are completely exempt from Grenada income tax. Those which are investment companies must pay a small tax. These companies may be incorporated in Grenada or elsewhere. They must be resident in Grenada, but carry on business entirely outside of Grenada. They must also be owned and controlled by non-residents of Grenada.
JAMAICA

Surtax on Individuals Eliminated

Beginning with the year 1973, Jamaica has abolished surtax on the higher income of individuals. The maximum rate imposed on individuals under the Tax Reform Act 1972 (No. 23 of 1972) is 60% (instead of 75%) for 1973 and subsequent years. Basic personal allowances have also been increased.

ST. LUCIA

Income Tax Amendments

Several income tax amendments have taken effect for years beginning with 1973 in accordance with the Income Tax Ordinance (Amendment) Act 1972 and the Income Tax Ordinance (Amendment) Act 1973. The tax rate on companies has been increased to 45%. The maximum rate on individuals is 55%. Personal allowances have been increased.

SURINAM

Dividend Withholding Tax Enacted

Surinam has enacted a 25% tax which must be withheld on dividends paid by a resident company to most residents and all nonresidents. The Dividend Tax Ordinance 1973 provides that this dividend tax is a final tax in the case of dividends paid to nonresidents. On dividends paid to residents it is treated as a credit against the regular income tax.

Other Changes Proposed

Surinam's 1973 Finance Bill would make numerous changes, including an increase in tax rates for individuals in high income groups and an increase in personal allowances. Surinam also plans to negotiate several new income tax treaties, including one with the United States.
TRINIDAD AND TOBAGO

New Tax Treaties

Italy has ratified its 1971 income tax treaty with Trinidad and Tobago. An income tax treaty between Switzerland and Trinidad and Tobago was signed in February 1973 and is awaiting ratification.

SPECIAL FEATURE

This issue’s special tax feature consists of two reports appearing in recent Newsletters of the Inter-American Center of Tax Administrators. The Lawyer gratefully acknowledges the collaboration of the Center.

SEVENTH GENERAL ASSEMBLY

The CIAT Seventh General Assembly was held in Guatemala from May 13 to 19, 1973. In addition to the sixty delegates, observers from twenty member countries, eleven non-member countries and six international organizations participated in the Meeting. Three main topics were covered: “Treasury-Taxpayer Relationship”; “Decentralization in Tax Administration” and “The Tax Official.” Each topic was subdivided into several topics that were presented by guest speakers, followed by comments, case studies and round table discussions. The meeting of May 16th considered the subject of “Dividends, Interest and Royalties in Treaties on Double Taxation Between Developed and Developing Countries.” The conclusions reached on each of the above topics follow.

CONCLUSIONS ON TOPIC 1: INTEGRATION BETWEEN TAX ADMINISTRATION AND TAXPAYER

The considerations of the topic involve the study of aspects such as: the responsibility of the tax administrator of keeping taxpayers informed and providing guidance; the obstacles to adequate taxpayer-tax administration relationship; substantive means of creating and maintaining tax conscience: information programs to motivate and inform the taxpayer and the role of sanctions in the taxpayer-tax administration relationship.

On the basis of the above, as well as resulting from the papers which have been presented and the round table discussions, it is possible to extract several ideas to sum up and to formulate conclusions on the topic.
1. Fiscal policy and particularly tax policy are undoubtedly powerful instruments of economic policy for the positive development of all countries. The major government responsibilities require contributions from the public which in turn justifies the increased demands of the population for their share of the benefits of development. The importance of tax policy particularly determines the need for efficient tax administration in order to satisfy the demands of society.

2. It becomes increasingly evident that in order to achieve the goals set in tax policy greater attention must be paid to tasks which tend to inform and educate the taxpayer. Taxpayer education and information is a laborious and time-consuming job, but it is undoubtedly the cornerstone of any successful tax system.

3. Traditionally there has always been a form of confrontation between the taxpayer and the tax administration, to a greater or lesser degree this has been the case in all countries. This antagonism can be the result of causes such as:

- The complexity of tax legislation
- Complication of procedures which the taxpayer must follow when paying his taxes
- Unsatisfactory treatment of taxpayers by the tax officials
- Taxpayers ignorance regarding the benefits they derive from the state
- A negative image of the administration
- A fairly generalized lack of social conscience and tax conscience particularly on the part of the public

4. During the last few years an evident tendency has developed in the American countries, particularly in tax administration, directed towards the elimination or attenuation of the causes of such friction. This tendency has been directed towards more rational and widespread taxpayer information services with a view to creating a tax conscience in the public. Thus, El Salvador showed that its campaign was effected in three stages to show in successive order the negative aspects of a tax delinquent who is described as Public Enemy number one, and subsequently the positive image of the administration in the form of the tax administrator is shown. In Mexico under the motto "Our taxes are . . ." such basic purpose was pursued as the creation of a relationship in the
minds of the public which links the payment of taxes to the public works and services which all will enjoy, it also helped to gradually break down the natural resistance that exists between the public and the tax administration. A deep feeling of solidarity was also awakened through this publicity campaign in Mexico by means of the motto: “together we do it better...” A new idea presented in one of the papers and which might be worth studying further is the change of orientation in the publicity propaganda and public relations campaigns undertaken by the administration with a view to demonstrating to the taxpayer particularly the larger ones, the need for taxes in order to maintain and develop the system which prevails in each country in a more equitable manner.

The suggestion made by the delegation of Trinidad and Tobago also merits attention in that greater efforts on the part of the tax administration and the Government should be directed toward the creation of a tax conscience in future generations since these will be tomorrow’s taxpayers.

The highly professional efforts which are being applied in matters concerning information and education throughout the American countries such as Mexico, El Salvador, Peru, Canada, United States provide positive background information for all member countries.

5. It must be admitted that tax sanctions currently hamper the process of taxpayer-tax administration integration. The likelihood that sanctions will positively lead to such integration can only be achieved if sanctions are not solely treated from the legal point of view. Sociological and psychological considerations should be included, and this necessarily supposes ex-ante treatment which can only be applied in tax administration which is strongly orientated in sociological aspects. The basic means of preventing the sanction from hampering the integration between the tax administration and the taxpayer and of promoting it instead, consists of equitable treatment by the tax administration. To this end the tax administration must behave along lines based and motivated from the point of view of the application of the spirit of the law and the purpose of a rule.

It does not yet seem that the time is ripe for the establishment of the principle of “criminalization” of the tax sanction, it would be necessary to first develop a widespread tax conscience. Nonetheless the application of related violations could be applied to the sanction when a tax violation has been committed or favored through actions which are punishable pursuant to Penal Codes.

Inasmuch as a procedure leading to the configuration of a serious tax violation tends to accentuate the friction between taxpayer and tax
administration, it was indicated that it would be useful to objectively identify some type of tax violation other than fraud which in some countries is known as non-payment.

CONCLUSIONS ON TOPIC I: DECENTRALIZATION IN TAX ADMINISTRATION

1. It is generally accepted that decentralization in tax administration is the delegation of decision making authority from the upper to the lower levels of management. The mere geographical dispersion of offices, if not accompanied with this delegation of authority, does not imply decentralization. This concept may not be universally accepted; in Chile—for example—the process of delegation of authority is not related to administrative decentralization, since administrative decentralization is based on the geographical location and distribution of service units.

2. We found generalized opinions agreeing on the present need for decentralization in tax administration. There are several elements to justify the above statement.

In the administrative sphere, it is admitted that it is impossible to efficiently cope with all the tasks and responsibilities of tax administration through centralization. It also implies not making full utilization of the potential abilities of officials.

There are other elements more specifically pertaining to tax administration that lead to the recognition of the need for decentralization. Among these elements, we find: a) the increasing complexity of tax legislation; b) an increase in the importance and quantity of the responsibilities assigned to tax administration—this fact has been clearly expressed by means of the illustrations given in the paper presented by Brazil and in the commentaries made on the situations existing in Mexico, Canada, the United States and Venezuela; c) the need for the establishment of more direct contacts with the taxpayer; d) an increase in the amount of taxpayers due to the development of geographic regions, as can be seen in the commentary made by Guatemala; e) the geographic characteristics of a country, as can be seen in the paper presented by Chile.

We finally find elements within political traditions that promote decentralization, as is the case of the federal governmental system existing in several countries in the Americas.
3. In the course of the presentation made by the guest speaker and of the debate, several factors that condition the degree or scope of decentralization, were found.

Among these, the following factors were highlighted: the volume of real and expected work; the geographical distribution of taxpayers; the communications infrastructure and the availability of personnel. In what regards personnel, it is believed that the education and training of field personnel in administrative functions is to be recommended, as well as the continuous explanation to officials on the significance of the new system and on the important role played by officials in the performance of the new tasks. It was accepted that, in the case of complex functions, it is not always advisable to delegate functions or authority on officials who do not have sufficient experience and who may also not have the availability of the qualified elements of human support in their place of work.

4. It was accepted that there are certain requisites that have to be analyzed at the time that any process of decentralization is programmed.

In the first place, it is necessary to have the legal tools to allow for the flexible activity of the administration.

A previous analysis aimed at defining which are the functions that are to be decentralized and which are not to be decentralized, was recommended. Although it was admitted that there are special cases and that the characteristics of each country are to be taken into consideration, it was accepted that it is necessary to maintain centralization in the tasks of general supervision and guidance, planning, investigation and personnel administration and distribution. There was also general consensus on the need to decentralize those tasks that require contacts with the taxpayer. It is also important to consider what has been called the reversible process, that is to say, the re-centralization of functions that have previously been decentralized. Decentralization is an administrative mechanism aimed at attaining greater efficiency and, as such, it undergoes constant experimentation.

A constant control of the development of the process of decentralization was deemed to be necessary. In order to exercise this control, the existence of a flow of information between the central and local offices is of importance, as well as the possible existence of a team of internal inspectors to control the process. There was generalized agreement on the fact that it is best to approach the process in successive stages and even selecting certain regions where pilot projects may be established.
It was also believed that decentralization is conditioned to the existence of a functional administrative organization in order to allow for the attainment of the best possible results in the process. Finally, the following were pointed out as aspects to be analyzed prior to the implementation of the process of decentralization: the possibility of coordinating the activities of other government agencies—especially at the local level—and the study of the maximum cost involved in the short term implementation of a process of decentralization.

5. There is in effect a marked trend towards decentralization and the tax administrator's approach is to be directed toward this decentralization. Although decentralization obviously depends from a governmental decision, its successful implementation must be supported by an adequate approach on the part of the tax administrator and by an integrated and disciplined attitude on the part of the organization and of its officials.

SUMMARY OF TOPIC III: ROUND TABLE DISCUSSIONS ON DOUBLE TAXATION TREATIES

From the papers presented and Round Table discussion, the following summary is made:

1. Developed countries have emphasized the need that treaties for double taxation should provide also a favorable guaranty for corporation investments, preventing discriminatory measures and ensuring neutrality of the tax systems at the moment when the investors make decisions. On the other hand, developing countries have basically maintained the need that such treaties should be elements that contribute to make effective the growth policies in their countries even though in such cases neutrality of the tax system may be altered, insofar as to the decisions of the investors.

2. As a general principle, developed countries, at the moment of entering into treaties on double taxation, advocate the domicile or residence of the beneficiary as a basic criteria to levy taxes on dividends, interest and royalties. At the same time, the majority of the countries accept fiscal credits for the taxes paid in the country of source of such revenue. Certain countries admit equal criteria of source, but with limitations, insofar as to the tax rate in that it does not exceed the existent tax rate in the original capital country, or of a determined rate fixed for lower levels, not greater than 15%.
3. Developing countries, on their part, generally prefer the principle of source, as a criteria to levy taxes on dividends, interest and royalties. Although the legislation of many Latin American countries add in certain cases the principle of domicile, residence and also nationality. Such countries have also claimed that, whether by treaties made to avoid double taxation or in legislation of developing countries, rules should be incorporated to ensure the performance of the principle of "tax sparing." That is, that fiscal credits recognized by the developing countries, should include also taxes unpaid in the country of the source, due to exemptions, franchises or incentives granted by such countries.

4. Without prejudice to the above presentation, in the field of dividends, the source is defined in the agreements approved by the Cartagena Agreement as that country in which the enterprise that distributes the dividends is domiciled or founded. As to countries which utilize fiscal credits, importing capital countries may compare their tax withholdings with the fiscal amount payable in the capital exporting country, since all additional reductions will not benefit the society but the treasury of the capital exporting country.

5. In the case of interest, in the treaties approved by the Cartagena Agreement the source is defined as the same as the territory in which the credit is utilized, adding that, except on proof to the contrary, it is presumed that the credit is utilized in the country from which interest is paid.

Taxation of interest is closely related to other aspects of the participation of foreign capital in the economies of developing countries. Among these aspects, it is particularly important to stress the problem of the average amount of credit involved in the total of a given foreign investment. There is a trend in certain investments made from abroad to increase the proportion of credit, and decrease the proportion of self-owned capital in the investments that are made; this accounts for the fact that remittances made abroad as a result of the investment are mostly made in the form of interest, while profits of the enterprise and dividends paid to investors decrease.

6. In reference to royalties, the strict application of the principle of the source, leads to the recognition of the exclusive rights of taxation to the country in which the patents, trademarks and technology that originate the royalties have been utilized. This solution is the solution adopted by the countries of the Andean Group in their multilateral agreement and in their model treaty for third countries. The draft treaty of OECD adopts, on the contrary, the principle of domicile, without assigning any
faculties of taxation to the country of source, and in this way reflects the position maintained by developed countries.

7. The development of multinational corporations and corporations with subsidiaries and branches in other countries, determines that these should have as a general rule a broader field for accounting and fiscal assignation of income and expenses. As these may eventually lead to situations of tax evasion, it is very important that the treaties on double taxation contain regulations to ensure the exchange of data among tax administrations of the contracting countries. Although this process may seem difficult, basically due to the legal procedure of each country, it seems necessary to study the formulae to make this possibility effective.

CONCLUSIONS ON TOPIC IV:
The TAX OFFICIAL

The consideration of this subject led to the study of the following aspects: the human factor vis-à-vis automation; training, means of ensuring the integrity of officials. From the papers and ensuing discussions the following conclusions can be summed up:

1. Technological progress anticipates the increasing use of computers in tax administration, though this will not be uniform and will be conditioned by economic and environmental factors. ADP techniques are enormously important as tools for increasing production and improving administration and they have considerable bearing on the structure of society. The equipment manufacturers often produce machines without considering the real needs of their users; it is therefore of utmost importance that the users establish a strong front with a view to determining the type of equipment which is best suited to tax administration. The importance of adequate planning was recognized as a preliminary step prior to the implementation of computer system. As is evident from the papers which have been presented, the human element will be an essential part of an ADP system, because of the influence exercised by decisions which have not been programmed in individual tax cases, the need for equitable and national audits and the actual physical collection of taxes. Regarding the incidence of automation on manpower, it should be pointed out that although the introduction of ADP systems in the majority of cases means savings, at the same time a new field of work is generated which requires special abilities of those involved.
Generally speaking the substitution of manpower will depend on various factors, such as salary levels, education, possibilities of creating systems with programmable decisions, basic policies, etc.

It was emphasized that there is a need for training in ADP, to ensure the maximum utilization of these systems.

Finally, it was emphasized that ADP must be used as a means rather than as an end itself towards the development of more efficient administrative systems, with greater capacity.

2. The importance of training points to the need for its institutionalization in order to convert it into a regular permanent and systematic responsibility of the administration. Training should cover all levels of officials and activities in the tax administration and any overall training plan should be directed to this end. Also it is recognized that an overall plan should be projected abroad to reach taxpayers and other officials of the public and private sector, who are involved or responsible for taxpayers. A special problem relates to the determination of where training should be located in the administration. This could be in the tax office, the Ministry of Finance or in some outside entity. It is however, important that any duplication of efforts be avoided and that the activities of the various training organizations be closely coordinated both at national and international levels. It was also recognized that tax administration should train its own tax experts. It was also admitted that instructors from the service ranks must be technically qualified and experienced in administration and that they be engaged in such work. This, however does not imply that other persons are excluded who in cases may turn out to be particularly useful.

The guest speaker pinpointed certain characteristics of a model program for specialized training; he indicated that it would be necessary to develop training courses and programs for officials joining the service to hold audit or other technical positions; updating and follow-up courses at various levels; integration courses and seminars.

Finally, it was emphasized that there is a need for a general attitude in administration, which recognizes the advantages of training.

Honesty of tax officials can be insured to a great extent by endowing the tax administration with a high degree of professionalism, efficiency and objectivity. Fulfillment of such goals undoubtedly determines the taxpayers respect for the administration and its officials, as well as a high level of morale. In order to achieve this, it’s necessary to consider specific
matters such as the establishment of rigid recruitment guidelines, grading and promotion of employees; the programming of training on a permanent basis and adequate salary. In the comments made by the Jamaican delegation the importance of a good personnel selection policy was emphasized and described as an appropriate means of ensuring the integrity of officials. Valuable comments were made regarding its essential aspects such as, information provided by the candidate; interviews; references; investigation; the use of tests and scientific systems.

It is possible to adopt concrete measures to control or reduce dishonesty. The guest speaker identified the following establishment of detailed rules of conduct to be followed by personnel on and off the job development of administrative systems in the organization to reduce to a minimum the opportunities and temptations to commit fraud, clarity in legal tests to prevent excessive discretion in their interpretation; cooperation of professional recognized organizations in sanctioning violators among their ranks.

The establishment of preventive or regressive offices within the administration would be most useful knowledge of the functions of the pertinent divisions in USA and Argentina.

4. The participants paid particular attention to tax administrators salaries. It is generally recognized that there is a need for adequate retribution to this effect. The systems prevailing in Argentina and Uruguay were examined, where the official receives an additional remuneration under certain conditions. Such procedures can be positively applied inasmuch as they are regulated with great care, as is described in the conclusions of the Executive Secretariat paper. It was finally recognized that once remuneration is adequate a rigid system of incompatibility must be established to prevent officials from holding two jobs in the public and private sector at the same time.

COMPARATIVE TAX LEGISLATION

*Colombia*

In Colombia, Law No. 6/73 was approved on April 2, 1973. The law follows two basic principles.

1. Stimulate industrial development by strengthening the capitalization of businesses.
2. Reduce the tax rate on earned income.

In addition to the adjustments in the tax rates, the amount of the personal exemptions on income taxes and on excess profits, a series of tax incentives are provided, among which are:

a) Excess profits are exempt if such profits are used for the purchase of public bonds or obligations.

b) Corporations and other types of business enterprises are authorized to establish, in addition to legal reserves, an extraordinary reserve which is exempt from tax for up to 10% of net income.

c) Continuing to be exempt from income taxes under certain conditions are the first 30,000 Colombian pesos (approximately US$1,300) paid as dividends to individuals.

Deductions from income tax are payments to laboratories, hospitals, physicians, schools, attorneys and other professionals for services rendered to the taxpayer and his family.

Withholding of 20% is required on foreign payments of interest, dividends, royalties and similar payments.

Jamaica

In continuation of the Government's programme of improving the administration of the Income Tax Department, Parliament approved in the First Supplementary Estimate of Expenditure 1972–1973 the setting up of an Audit Review Staff.

This staff will be manned by one chief reviewer, two reviewers grade I, two reviewers grade II, one income tax clerk grade IV, one income tax clerk/typist. It will form a separate unit within the framework of the case audit operations of the Audit and Technical Branch of the Department.

Audited cases will be examined to ensure they have been properly dealt with; that no point of importance has been overlooked; that departmental policy has been observed and that the law has been correctly and consistently applied.

Assistant Commissioners in charge of Audit Groups will continue to exercise their managerial functions in relation to their groups and to be responsible for quality audit performance of agents and auditors, providing them with help and guidance required in gaining and maintaining quality audit standards.
In contrast, the approach of the Audit Review Staff will be impersonal and objective, concerned not with individual agents or auditors, but with whether reasonable care and skill were employed in carrying out the audit; that established auditing techniques are used and if not, whether the new technique applied is valid; that the taxpayer was properly informed of all discoveries and the adjustments to his return and that he understood them when they were explained. Unlike the Assistant Commissioner, the Review Staff will not have been involved in the audit being carried out and will be able to appraise it with a fresh and unprejudiced mind. They will be able to view each piece of work from beginning to end as a completed piece of work and to assess the pattern which emerges therefrom.

It is intended that the Review Staff will be very critical in its evaluation thus contributing to the fair, impartial and courteous administration of the Income Tax Laws.

Also, the Income Tax Reform Act of 1972, Act 23 of 1973 was recently passed by the Houses of Parliament in Jamaica.

This Act increases the personal allowances for all taxpayers, abolishes surtax, introduces new lower rates of income tax, reduces the level of capital allowances applicable to road vehicles, corrects certain defects in the law and makes rules adapting the law to give effect to double-taxation agreements.

Personal allowance for all resident individuals has been increased from J$600 to J$1,000 (approximately 1 J$=U.S. $1.30). Other personal allowances have not been changed.

Surtax, which was an additional tax chargeable on all total incomes in excess of J$7,000 is no longer to be imposed from the first of January, 1973. This tax has been integrated with income tax into a single scale with a minimum rate of 15% and a maximum rate of 60%, providing a reduction in tax payable varying between 13.90% and 100% for chargeable incomes ranging from J$400 to J$1,500 and between 9.40% and 12.40% for chargeable income ranging from J$2,000 to J$16,000. The previous combined maximum rate of income tax and surtax was 75%.

The whole approach to the granting of allowance for motor vehicles has been altered. Originally a person carrying on a trade or business who incurred capital expenditure on the purchase of a road vehicle for the purpose of trade, profession, employment, vocation or office was entitled,
in the first year, to an initial allowance of 20% and to an annual allow-
ance 20% and for each subsequent year to an annual allowance of 20%,
based on the written down value of the unit.

A recent order, made under the provisions of the Income Tax Law
for initial allowance to be given only in the case of the type of vehicle not
commonly used as a private vehicle and unsuitable to be so used; a
vehicle used wholly or mainly for the carriage of members of the public
in the ordinary course of trade; a vehicle of a construction primarily
suited for the conveyance of goods; a vehicle fitted with dual control and
used by the operator of a driving school. These vehicles will qualify for
an initial allowance at a reduced rate of 12½% with a proviso that in the
case of private vehicle the amount to be allowed to be written off by way
of annual allowance shall not exceed J$400 and the aggregate amount to
be granted shall not exceed J$3,200. Annual allowance is no longer to be
calculated on the reducing installment method but on a calculation based
on the fixed installment method.

The Act makes it clear that only distribution made out of realised
capital profits will be released from the payment of income tax in the
hands of shareholders. This amendment corrects certain defects in existing
legislation which had recently come to light.

The tax rates are set out below:

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<thead>
<tr>
<th>New Rates</th>
<th>Old Rates</th>
<th>Surtax</th>
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<tbody>
<tr>
<td>Chargeable Inc.</td>
<td>Rate</td>
<td>Chargeable Inc.</td>
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<tr>
<td>1-500</td>
<td>15%</td>
<td>1,400</td>
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<tr>
<td>501-1,000</td>
<td>20%</td>
<td>401-600</td>
</tr>
<tr>
<td>1,001-1,500</td>
<td>26%</td>
<td>601-800</td>
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<tr>
<td>1,501-3,500</td>
<td>32.5%</td>
<td>801-1,000</td>
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<tr>
<td>3,501-4,500</td>
<td>35%</td>
<td>1,001-1,200</td>
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<tr>
<td>4,501-6,000</td>
<td>37.5%</td>
<td>1,201-1,500</td>
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<td>6,001-7,000</td>
<td>45%</td>
<td>1,501-1,800</td>
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<tr>
<td>7,001-8,000</td>
<td>50%</td>
<td>1,801-2,100</td>
</tr>
<tr>
<td>8,001-11,000</td>
<td>56.5%</td>
<td>Over 2,100</td>
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<td>11,001 and over 60%</td>
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Mexico

By Resolution No. 102, January 12, 1973, the Under Secretariat of
Revenues of Mexico established a special rule for the audits performed by
the Director General of Fiscal Auditing during 1973. In accordance with this resolution, no new audits will be initiated during the period January 1st, through March 31, 1973 to provide better facilities for taxpayers during the filing period. In regard to new audits or audits in process, in principle, they will be limited to the latest year filed. In the event that the audit discloses that there are major omissions, the audit can be extended to the last five years of filing. If the taxpayer has no major omissions or has corrected them and paid the difference for the latest year prior to the initiation of the audit, the audit cannot be extended. Taxpayers who file amended returns showing additional tax are permitted to make twelve equal monthly installments of the amount due at 12% interest. This temporary system applies to taxpayers whose annual gross receipts are less than 20 million Mexican pesos (approximately US$1,600,000) and includes both income and sales taxes. The resolution is designed to give taxpayers a final opportunity to bring their taxes up-to-date at one time to avoid follow-up actions by the State and reduce the number of audits required, which will permit the Directorate to plan for the future.

Peru

Law 19654 of December 12, 1972 was approved in Peru. Through it, several taxes on net worth of corporations, licenses on commercial and industrial activities, land tax and municipal land taxes were repealed. At the same time a single tax is applied through progressive rates varying from 0.60% to 1.20% (the maximum rate is applied on values up to $60,000, approximately). A single land tax (including value of improvements) was also created and applied to real property non-taxable by IPE. The rates are progressive, varying from 0.60% to 2% (the maximum rate is applied on values up to $140,000, approximately) and the yield is destined to local governments (Consejos Provinciales). Last December a tax on wages and personal remuneration that substitute for several taxes previously in effect on the same object was approved. The new tax is levied on employers and employees (by withholding) by rates of 3.5% and 1% respectively. Professionals and self-employed individuals pay the tax at the rate of 2%.

Trinidad and Tobago

In Trinidad and Tobago, by the Act No. 1 of 1973, cited as the Appropriation Act, 1973, the Consolidated Fund was set up (General
Public Budget) for the Civil Service, for the year ending 31st December, 1973. The sum authorized to spend is of $572,256,195 equivalent to US$310 million. From this amount 10% is devoted to public debt service, 27% to education, culture and health and only 8% to national security.

**Haiti**

On April 12, 1973 a new legislation was promulgated regarding income tax as well as a simplification of the legal text regarding the requirements for the special value added to tax on goods. The Research and Planning Commission is making a current revision of tax legislation from the point of view of improving the administration of taxes.