

University of Miami Law School Institutional Repository

University of Miami Inter-American Law Review

2-1-1972

Taxation

M. J. Langer

J. P. Corrigan Jr.

Follow this and additional works at: <http://repository.law.miami.edu/umialr>

Recommended Citation

M. J. Langer and J. P. Corrigan Jr., *Taxation*, 4 U. Miami Inter-Am. L. Rev. 122 (1972)

Available at: <http://repository.law.miami.edu/umialr/vol4/iss1/9>

This Report is brought to you for free and open access by Institutional Repository. It has been accepted for inclusion in University of Miami Inter-American Law Review by an authorized administrator of Institutional Repository. For more information, please contact library@law.miami.edu.

TAXATION

MARSHALL J. LANGER and
JOHN P. CORRIGAN, JR.
Attorneys at Law
Miami, Florida

ARGENTINA

Tax Incentives

Up to 10% of the income tax payable by individuals, by domestic corporations, and by foreign corporations doing business in Argentina through a permanent establishment in that country, may be invested in shares of domestic corporations listed on local stock exchanges. This incentive applies to the tax years 1971-1973. Law No. 19061 (1971).

Law No. 19000 (1971) extends new incentives to the fishing industry. All eligible enterprises are entitled to exemption from income, sales, stamp and certain other taxes. The applicability and term of these incentives depend upon whether the business is located north or south of the Colorado River in Argentina. Investors in those companies that elect to waive the income tax exemption are entitled to deduct from gross income 80% of the monies invested in new shares.

The income tax law has been amended so as to exempt gains from the sales of certain cattle. Law No. 19029 (1971).

BARBADOS

Tax Amendments

The government has proposed revisions of income tax rates and exemptions as part of its year-end budget for the coming year. The proposed new maximum individual tax rate would be 65% on income in excess of E.C. \$30,000. Personal deductions and allowances would also be increased.

BOLIVIA

Tax Amendments

Sales Taxes: Decree No. 9686 (1971) amended the sales tax with a general rate of 5% and a special rate of 10% applicable to certain luxury items. Sales of property and vehicles, government bonds and essential goods are exempted.

Use Tax: Decree No. 9684 (1971) creates a complimentary or use tax on services with rates ranging between 2% and 10%.

Tax on Foreign Travel: Decree 9680 (1971) establishes a progressive tax on foreign travel according to the number of trips made in a calendar year.

Withholding Tax: Decree 9606 (1971) establishes a withholding system for income tax applicable to independent professionals and natural persons who perform industrial and commercial activities, with the payor whether a natural person, business entity, or government institution, serving as withholding agent.

Tax Incentives: Decree No. 9687 (1971) establishes a tax incentive system that will apply to all national, departmental and municipal taxes.

The foregoing information has been summarized from the July, 1971 Newsletter of the Inter-American Center of Tax Administrators.

BRAZIL

Tax Incentives

The governmental development agency for Brazil's northeast has requested a 50% reduction of income taxes for individuals and companies that acquire the shares of banking institutions located in the northeast of the country. This would stimulate share ownership in such banks and would provide the same benefits as are currently available with regard to the Bank of Brazil, the Northeast Bank and the Amazon Bank.

Expanded exemption from import duties and excise tax on industrial products for materials to be used in building freighter vessels financed by foreign loans have been enacted pursuant to Decree-Law No. 1174 (1971).

Tax incentives to exporters will be extended through December, 1974 to certain sales of domestic machinery and equipment made in Brazil. Decree-Law 1171 (1971).

Tax on Minerals

Effective January 1, 1972, the single tax on minerals will be applied at a 15% rate rather than the previous 17% rate. Decree-Law No. 1172 (1971).

CHILE

Tax Amendments

Net Wealth Tax: Law No. 17,416 (1971) makes corporations subject to the net wealth tax, at a rate of 0.5%; net wealth tax exemptions are increased for individuals and the marginal rates of the scale are increased as well.

Income and Complimentary Taxes: Law 17,416 (1971) increases income taxes on wages from 3.75% to 5.5% and a surcharge of 15% is established (applicable once only) on income of the first category (income from capital received by commercial, mining and industrial companies).

Exemption from Declaring and Paying the Complimentary Income Tax is increased from one to two minimum annual salaries; the general additional tax is raised from 37.5% to 40%, and the rate that affects the income of foreign persons who perform scientific, technical, cultural and sport activities in Chile is increased from 12% to 20%.

The foregoing information has been summarized from the July, 1971 Newsletter of the Inter-American Center of Tax Administrators.

Tax on Currency Exchange

Finance Ministry Decree No. 518 (1971) established a 30% tax on earnings from the purchase or sale of foreign currency in Chile. This tax is not applied to the Central Bank or other designated financial institutions. Decree No. 1135 (1971) raised the tax to 50%.

COLOMBIA

Free Zones

Decree No. 1082 (1971) contains significant regulations applicable to the utilization of free zones in Colombia. With certain minor exceptions, any person may bring into, store in and export from free zones located in Colombia any type and class of goods free of all duties, licenses and deposits. Such goods may also be imported into Colombia but under the usual conditions. The goods may also be packaged, assembled, exhibited, manu-

factured and transformed in any way prior to their export from Colombia or import into the country. The decree points out that the fact of registration of foreign capitals in the free zones does not automatically grant the right to repatriate capital or to purchase exchange on the exchange certificate market, which will continue to be handled by the Bank of the Republic or entities authorized by the latter.

Tax Incentives for Tourist Industry

Decree 424 (1971) regulates the use of tourist development tax credits which may be utilized to pay any type of national tax, the credit certificates being accepted at their face value as of the date of their delivery to the taxpayer. The following two classes of taxpayers were authorized by the decree to utilize the certificates: (a) owners of new hotels or inns and owners of existing hotels which expand their existing facilities to a substantial extent, the amount of the credit being 15% of the cost of the new investment which may be utilized on one occasion only; and (b) those taxpayers that invest at least 40% of their net taxable income derived from the operation of new hotels or inns or the expansion of existing hotels, the credit being utilizable during a period not exceeding 10 years.

COSTA RICA

Fiscal Code

The Fiscal Code was enacted by Law No. 4755 (1971). This Code contains all the rules and procedures applicable to tax proceedings between the tax authorities and taxpayers.

DOMINICAN REPUBLIC

New Mining Code

A new mining code has been enacted covering all minerals except hydro-carbons, sand and radio-active substances. All mines are owned by the State which shall regulate their exploration and exploitation. Concessionaries of exploration and exploitation permits must pay an annual mining franchise tax. In addition, a royalty equal to 5% of the FOB price is levied on exports. The royalty is creditable against the income tax levied on the enterprise at a 40% rate. Shareholders of the enterprise are still liable for the tax on their earnings. The Code makes available accelerated depreciation, exemption from import duties on machinery and equipment and availability of foreign exchange as negotiated and specified in each individual mining concession agreement. Law No. 146 (1971).

Taxation of Sugar Exports

The Senate of the Dominican Republic has approved a draft law revamping the taxation of sugar exports in general and specifically to exports to the United States. The proposed rates are 2½% on the gross FAS value, Dominican port, on the first 50,000 short tons exported to the U.S.; 17½% on the next 150,000 short tons exported to the U.S.; and 6% on all amounts over 200,000 tons. The law also provides for several levels of export taxes relative to shipments of molasses. Part of the proceeds are to be used to modernize the state-owned sugar industry.

ECUADOR

Industrial Incentives Law

Supreme Decree No. 920 of June 22, 1971 enacts several important amendments to Ecuador's industrial promotion law. A deduction from gross income for investments in new industries or reinvestments in the expansion of existing industries is allowed. However, companies enjoying tax exemptions under the previous law must pay a contribution equivalent to 5% of all of such tax benefits.

A system of tax credit certificates has been established to encourage exports. They may be utilized by the taxpayer only to pay income tax. Also, individuals may credit against their income tax liabilities up to 50% of their contributions to a new National Industrial Investments Fund, provided such credit does not exceed 20% of the tax due.

MEXICO

Tax Amendments

It has been reported that new rules have been issued by the tax department concerning depreciation of fixed assets, the treatment of advertising expenses and reinvestments of profits.

NICARAGUA

Tax Exemptions For Foreign Loans

The Executive Branch of Government has decreed that interest from and principal on certain foreign loans qualify for exemption from both the income tax and the tax on capital. Executive Decrees Nos. 13 and 14 (1971).

PARAGUAY

New Income Tax Law

Paraguay's new income tax law will take effect January 1, 1972. Future editions of *The Lawyer* will describe the law in detail.

PERU

Tax on Foreign Travel

The tax on foreign exchange acquired for traveling abroad has been expanded to include all expenses connected with the trip including the value of the air or steamship fare. Decree-Law No. 18865 (1971).

Tax Amendments

Regulations under Peru's Industrial Promotion Law have been passed relating to the fishing industry. Supreme Decree No. 041-71-PE (1971).

URUGUAY

Tax Delinquencies

Decree 199 (1971) establishes a surcharge for tax delinquency at 4% per month commencing May, 1971. When a taxpayer is allowed to pay his taxes by installments, the applicable interest rate is 3% per month instead of the surcharge.