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Public Practice of Accounting in the Republic of Haiti

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PUBLIC PRACTICE OF ACCOUNTING IN THE

REPUBLIC OF HAITI

Prepared for

AMERICAN INSTITUTE OF ACCOUNTANTS

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REPUBLIC OF HAITI

General Information

Geography:

The Republic of Haiti is situated on the western and smaller portion of the mountainous island of Hispaniola, the eastern part of which contains the Dominican Republic. Haiti is about 50 miles southeast of Cuba and about the same distance northeast of Jamaica. It has an area of about 10,700 square miles. More than two-thirds of Haiti is covered by mountainous peaks and highlands, rendering many villages practically inaccessible to commerce and to education.

The principal cities are seaports because no cities have grown up in the mountainous interior. Port-au-Prince, the Capital, is situated on a large bay and has a fine harbor; it has a population estimated at 150,000. Other cities are Cap-Haitien (40,000), Gonaives (21,000), Les Cayes (25,000), and Port de Paix (10,000).

People:

Exact census figures are not available, but the Haitian Government estimates the population at about 3,000,000, approximately 90 percent of whom live in rural areas. Some 95 percent of the inhabitants are pure-blooded Negroes, and the remaining 5 percent are mulatto, the descendants of the former French settlers. The way of living in rural Haiti is said to be essentially African.

Haiti, an impoverished country, has a high rate of illiteracy -- estimated at 92 percent -- which is attributable in part to the terrain of the country, in part to overpopulation, and mainly to the country's economic condition. In 1947, the United Nations Educational, Scientific and Cultural Organization chose Marbial, a rural region having a population of about 26,000 with an extremely high illiteracy rate, as the subject of an intensive campaign against illiteracy, employing the most modern methods of instruction.

Although the official language of Haiti is French, a great majority of the people speak Creole, especially in rural areas. This has tended to isolate Haiti linguistically from its Latin American neighbors and caused it to borrow most of its institutions and laws from France.

Economy:

Haiti's economy depends upon agricultural production. Revolutions and political upheavals have retarded the country's development. Political uprisings caused the United States Government to intervene in 1915. To restore stable government and to protect foreign interests, the United States Marines were sent to Haiti in July of that year. They occupied the country until August 1934.

With its eroded lands and lagging agricultural production, Haiti can not support its populace. In 1948 Haiti became the first underdeveloped nation to ask the United Nations and the international organization's specialized agencies to make a survey of

her entire national life. As a result, early in 1950, a "pilot project" was commenced to reclaim 60,000 of the 90,000 acres of the largest and most arid plain, known as the Artibonite.

Haiti's principal exports are coffee, sisal fiber, bananas, raw sugar, raw cotton, and cacao. In 1949 the United States took about 59 percent in value of all exports and supplied nearly 77 percent in value of all imports, comprising a wide variety of items such as petroleum products, machinery and electrical apparatus, iron and steel manufactures, cotton fabrics, chemicals, soaps, wheat flour, and various food products.

Haiti has only a few industries, consisting mainly of one modern sugar mill, a second smaller sugar mill, and a textile mill. In order to induce the establishment of industries, a law was promulgated in 1949 granting concessions to newly established industries. Subsequently, a United States oil company opened a plant for manufacturing and bottling propane gas, and the construction of a new sugar mill was also commenced.

SECTION I

PUBLIC PRACTICE OF ACCOUNTING BY NATIONALS

Basic Laws and Regulations

The inhabitants of the Republic of Haiti are governed by the Constitution of 1950, which abrogated the Constitution of December 23, 1946. Unlike the earlier Constitution, the new one makes no provision that only native-born Haitians may engage in certain professions. In any event, public accounting is not listed among the professions, and there are no laws or regulations governing public practice. However, accountants are considered to be engaged in "commerce and industry" and are required to pay a license tax each year.

The Commercial Code deals with commerce in general. The first section covers such matters as control of merchants, book-keeping, notes, and drafts; another section covers maritime commerce; and the third includes bankruptcy regulations and all matters relating thereto. Besides this Code, the only laws which relate to accounting or affect accountants are the following:

Presidential Decree of August 3, 1932, providing for rules and regulations governing Schools of Commerce.

Decree-Law of September 23, 1935, covering a communal (municipal) tax of \$5 per year for Haitian accountants in Port-au-Prince, and taxes ranging from \$2 to \$4 per year for Haitians in other cities, the amount of the tax depending upon the size of the city; and a tax of \$40 per year for foreign accountants.

Concept of the Profession

The profession of public accountant has not attained any status in the economic affairs of Haiti. In fact, it is still in an embryonic stage of development. Accountants are regarded as following only a "commercial vocation" inasmuch as they must pay an annual license tax for the privilege of engaging in commerce and industry. Judicial recognition is given to accountants only when, in special cases, they are sworn by the Commercial courts to carry out specific assignments.

Regulatory Authority

There is no regulatory authority for accountants engaged in public practice in Haiti.

Who May Practice

Anyone may engage in public practice of accounting in Haiti provided he pays a license tax. Graduates from commercial schools, with the diploma of Accountant, and persons who have taken correspondence courses offered by United States schools may become public accountants. There is no limitation as to age, or any requirement as to practical experience or citizenship. No special procedure is necessary to obtain a license, other than application to the Income Tax Department; it is not even necessary to submit a diploma of any kind.

Exercise of the Profession

As indicated under "Concept of the Profession", the public practice of accounting does not actually exist in Haiti, except in court cases when accounting knowledge is required. Haiti, like almost all of the Latin American countries, regards the giving of expert testimony by an accountant as a "public act" or function of a "public accountant."

A large number of very small businesses operating in Haiti do not require involved accounting and auditing services, the result being that the work of Haitian accountants is confined to rendering bookkeeping services.

Registration

There are no registration requirements for Haitian public accountants as such. However, as previously stated, they are required to pay an annual tax or license fee in order to act as accountants.

Education of Accountants

The Presidential Decree of 1932 purported to lay down rules for commercial schools. Apparently, as late as 1941, the educational methods employed by these schools, all of which were privately operated, were not entirely satisfactory to the Minister of Education because he ordered a study made of them. The insti-

tutions were inspected, and principal employers were canvassed in order to determine what essential requirements should be met. A report was published in 1943 which recommended, among other matters, an adequate control of commercial education; serious requirements for the official license permitting a business school to function, including a suitable building, adequate equipment, and competent teaching staff; regulations fixing the conditions of admission; compulsory study of English in all sections; preparation of an adequate curriculum; regulating the length of the course; and systematic organization of final examinations. By 1945 most of the recommendations appeared to have been put into effect.

In 1945 there were five commercial schools under the supervision of the Department of Vocational Education. Four of the schools were in Port-au-Prince and one was in Cap-Haitien. These schools award the diploma of Accountant after two years of study. The subjects for the first year are: Instruction on commerce in general, commercial accounting, commercial law, and commercial arithmetic. The subjects for the second year include an advanced course in commercial accounting; industrial accounting; financial, agricultural, and political economy; financial legislation; commercial arithmetic; and economic geography.

The Decree of 1932 stipulates no conditions for admission to these schools, but an examination is generally required and, presumably, students must have completed twelve years of primary and elementary school work.

Final examinations are given under the direction of a jury formed by the General Director of Education and presided over by the Inspector of Schools. They are given in two parts, written and oral. The written exercises necessary for the diploma of Accountant consist of compositions on accountancy and commercial arithmetic, each of which lasts three hours. The oral examinations cover all of the subjects studied and are held in public, usually lasting not more than fifteen minutes. A candidate must obtain a passing mark in all subjects in order to receive his diploma.

Higher education for accountants is not obtainable in Haiti. The University of Haiti, the country's only institution of higher learning which was established in 1945, has no School of Commerce. Students who wish to obtain further accounting training often come to the United States and others subscribe to the courses given by correspondence schools such as the LaSalle Extension University of Chicago. According to a survey made by the United States Office of Education (Bulletin No. 1, 1948, page 57), university courses in business administration are very much in order.

Some Aspects of Practice

With Respect to Corporations

Annual Audits:

Annual audits of corporations by independent public accountants are not required in Haiti. Except for banks, there are no regulations requiring the submission of periodical financial or operational reports.

The few large United States enterprises doing business in Haiti have periodical audits made by accountants sent from the United States or from the Dominican Republic, where one United States accounting firm maintains an office. As has been indicated earlier in this report, Haitian accountants are not concerned with auditing financial statements or investigating the condition of corporations.

Tax Returns:

Haiti's Income Tax Law was published on September 8, 1948. It provides for tax rates, according to a progressive schedule, applicable to individuals and to business enterprises which keep profit-and-loss accounts. In the absence of such accounts, business income is determined on the basis of rental value. So-called excess profits taxes exist on specific commodities, payable by the exporter, chiefly on leading export products including coffee, sisal, bananas, and certain cereals.

For income tax purposes, annual audits of the books and accounts of each business firm in Haiti are carried out by auditors of the Haitian Fiscal Department who visit each business firm during the year.

Professional Accountants Engaged in Practice

According to advice from the Chamber of Commerce of Haiti, "there are at least eight principal public accountants in Port-au-Prince, and many others with lesser practice." Actually, some (if not all) of these accountants are connected with commercial

schools or other private enterprises and, therefore, are not really engaged in public practice.

From another source, it has been reported that approximately 300 Haitians are engaged in accounting practice. However, it is believed that this estimate covers bookkeepers and accountants regularly employed and not to persons engaged in public practice. According to a report from the United States Embassy in Port-au-Prince, made early in 1951, there is no firm in Haiti engaged solely in public practice.

Professional Accounting Society

There is no association of accountants in existence in Haiti. An attempt was made to form such an organization in 1946 but did not succeed.

The Republic of Haiti was represented at the First Inter-American Congress on Accounting, which was held in Puerto Rico, in May 1949, by Dr. J. H. Poujol. Dr. Poujol is the Director of a business school in Port-au-Prince and is regarded as a "public accountant" by the Haitian Chamber of Commerce.

SECTION II

PUBLIC PRACTICE OF ACCOUNTING BY UNITED STATES CITIZENS AND OTHER NON-NATIONALS

Basic Laws and Regulations

Inasmuch as there are no laws governing public accounting, practice of the profession is free to United States citizens and other non-nationals. In order to perform accounting work in Haiti, a United States citizen or other alien needs only to comply with the immigration requirements, which are relatively simple, and to pay a license tax of \$40 a year.

Qualification of a United States CPA

Since there are no regulatory laws covering public practice, there are no qualification requirements to be met by a United States CPA to enable him to practice in Haiti.

Permanent Practice

There are no legal restrictions to prevent the establishment of an office by a United States citizen or accounting firm, but economic and social conditions would be important factors to be considered in this connection. The few United States enterprises which operate in Haiti are audited by United States accounting firms which send accountants there from time to time. Haiti has

only a small colony of United States citizens -- probably about a hundred people.

It should be noted that although there are no specific laws pertaining to the nationality of directors, officers, or employees, in practice most contracts negotiated by foreign investors with the Haitian Government contain provisions that a specified proportion of the employees must be Haitians. As an example, an American-owned corporation agreed in 1946 that during the first year 75 percent of the office employees would be Haitians and by the end of the second year, 90 percent would be Haitians.

Isolated Engagements

As mentioned under the preceding topic, United States accountants perform engagements in Haiti from time to time in connection with United States enterprises established in the country. There being no restrictions of any kind, reports issued by United States accounting firms may be used locally.

Immigration Requirements

The requirements for obtaining a permanent residence permit in Haiti are simple. A residence visa must be obtained in advance. Foreigners residing in Haiti must have identity cards which are issued by the Tax Office and must pay an annual license fee.

United States citizens and other foreigners may enter Haiti as tourists and remain for 30 days, which stay may be extended for

another 30 days. An accountant who enters as a tourist for the purpose of performing any work is supposed to pay the license fee.

Accountants Established in Practice

There are no United States citizens or United States accounting firms maintaining offices in Haiti. One United States accounting firm has an office in Ciudad Trujillo, Dominican Republic (on the same island as Haiti) and performs work in Haiti. Other firms which have clients operating in Haiti generally service their engagements by sending accountants from the United States. No other non-nationals are engaged in public accounting in Haiti.

SECTION III

TREATIES AND LEGISLATION PENDING

Treaties between Haiti and the United States:

There is no treaty between the Republic of Haiti and the United States providing for mutual recognition of professional degrees or academic studies. Neither is there a commercial treaty in effect between the two countries dealing with the subject of public practice of accounting by nationals of either country within the territory of the other.

Treaties between Haiti and Other Countries:

Insofar as it has been possible to ascertain, Haiti has no treaties with other countries providing for recognition of professional degrees. But a Haitian certificate of secondary studies has been accepted since 1931 by the French Ministry of Public Instruction. Such acceptance by France has brought prestige to this certificate which is granted after 7 years of secondary school work called "Philosophie" following 6 years of primary studies. This certificate is said to be equivalent to one year of college study in the United States. Since the entire Haitian curriculum has been borrowed from the French, such recognition is understandable. However, no information is available as to whether or not France accepts the Haitian diploma for accounting studies.

Legislation Pending:

A commission is now studying the laws of Haiti with a view to modernizing and adapting them to present day conditions. It is conceivable that changes might be recommended which would affect United States corporations doing business in Haiti with respect to submission of financial statements or other accounting information. However, it would hardly be expected that any laws regulating public practice of accounting would be enacted at this stage of Haiti's industrial and educational development.

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In conclusion, it should be stated that the foregoing study of Public Practice of Accounting in the Republic of Haiti has been prepared on the basis of a review of the education law and other information obtained from sources believed to be reliable. A list of such sources is furnished in the attached appendix.

Sources of Information

American Institute of Accountants, New York, N. Y.

Chambre de Commerce d'Haiti, Port-au-Prince, Haiti.

Education in Haiti, Bulletin No. 1, 1948; United States Office of Education, Washington, D. C.

Haiti, p. 1049, "The Statesman's Year-Book 1949"; The Macmillan Company, New York, N. Y.

Haiti, p. 493, "Universities of the World Outside U.S.A."; American Council on Education, Washington, D. C.

Haitian Consulate, New York, N. Y.

International Reference Service, Vol. V, No. 69, September 1948; Vol. VII, No. 97, October 1950; United States Department of Commerce, Washington, D. C.

Pan American Union, Washington, D. C.

A Statement of the Laws of Haiti in Matters Affecting Business in Its General Aspects and Activities, March 1947; prepared by Pierre Chauvet, Charles F. Pressoir, and Georges Bausson, Lawyers of Port-au-Prince, under the auspices of Inter-American Development Commission.

United States Department of Commerce, American Republics Division, Washington, D. C.

United States Embassy, Port-au-Prince, Haiti.

United States Library of Congress, Washington, D. C.

United States Office of Education, Division of International Relations, Washington, D. C.

MEMORANDUM RE PUBLIC PRACTICE OF ACCOUNTING IN THE
REPUBLIC OF HAITI

✓ Status of Profession:

The profession of Public Accountant is still in an embryonic stage in Haiti.

✓ Regulatory Laws:

There are no laws specifically dealing with the public practice of accounting. A law was passed in 1932 providing for the establishment of commercial schools. There is a law covering taxes to be paid by accountants.

✓ Regulatory Authority:

There is no regulatory authority in Haiti.

✓ Registration:

Professional accountants are not required to be licensed as such, but they must pay a license fee to engage in commerce and industry. Natives pay \$5.00 a year in Port-au-Prince and lesser fees in other cities; foreigners pay \$40 a year.

✓ Conditions for Practice:

Citizenship is not a condition for practice, except as to license tax. The diploma of Accountant awarded by private commercial schools upon completion of a 2-year course in commercial subjects on the secondary level, or even study of correspondence courses given by institutions in the United States, is sufficient educational qualification for a public accountant in Haiti. Actually, no diplomas are required to obtain a license. The University of Haiti has no School of Commerce,

No minimum age is indicated, and there are no requirements for experience or passing examinations.

✓ Professional Accountants in Practice:

Possibly less than 10 persons in Port-au-Prince, the capital, perform bookkeeping services for small firms. There is no accounting firm engaged solely in auditing practice in Haiti. Standards of the accountants in Haiti are not up to those ascribed to United States CPAs. This is due to lack of education or ability or all around familiarity with the subject.

There is no professional accounting society in existence.

Practice by United States Citizens or Firms:

Although the practice of public accounting is entirely free to United States citizens and firms, there are none maintaining offices in Haiti. United States citizens may enter as tourists and perform accounting engagements for both local and foreign use.

Treaties and Legislation Pending:

There is no treaty between the United States and Haiti under which United States citizens may enter Haiti to perform audits on behalf of United States investors. Actually, none is needed at this time.

The Laws of Haiti are being studied by a commission with a view to bringing them up to date. It is extremely doubtful that any law would be passed to restrict the public practice of accounting in view of the country's stage of industrial and educational development.