

# The Language of Taxation

## Session 2

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W: \_\_\_\_\_?

D: Well, taxes paid in arrears are subject to an interest charge at the monthly rate for federal treasury bonds which cannot be less than 1%. In addition, taxes paid in arrears are subject to a fine calculated at a rate of 0,33% per day on the amount of the tax due, up to a maximum of 20%. Yet, that doesn't mean it is easy for the government to control and audit companies as it should be done, and evasion levels are higher than reported, though it is also true the country has succeeded in lowering the level of corporate evasion during this Administration.

*What offence is the paragraph talking about? Is it formal or material? What is the penalty?*

*In Groups, think of formal and material offences in Argentina and the corresponding penalty*

Offense	Penalty
- Formal	
- Material	

W: \_\_\_\_\_ ?

D: Yes, the audit of returns and the assessment of taxes is to be effected within five years as from the discharge of the tax obligation. Suits to collect taxes and social contribution are time-barred after five years, which term is computed as from the date on which the assessment has become final.

- *What is the meaning of discharge?*
- *How can a debt be discharged?*
- *Is tax liability, tax obligation or tax debt the same thing?*
- *Synonym of suits:*
- *What does “time-barred” mean?*

W: \_\_\_\_\_ ?

D: It is widely defined to include any proceeds from capital, labor or a combination of both. Capital gains realized by legal entities are normally added to business profits and taxed as ordinary income

## Types of income

- Derived from the land: \_\_\_\_\_
- Derived from investment activity: \_\_\_\_\_
- Derived by companies in their usual activity: \_\_\_\_\_
- Derived by individuals from their work: \_\_\_\_\_

W: \_\_\_\_\_ ?

D: Well, that it a little more difficult. There are no tax brackets, but in order to determine the effective income tax burden on legal entities, the basic corporate income tax, the income surtax and the social contribution are considered.

As from tax year 2010, the corporate income tax is charged at a flat rate of 15%. But in addition, all resident legal entities are subject to an income surtax levied at a flat rate of 10% on taxable profits exceeding the amount resulting from multiplying 20,000 by the number of months of the relevant assessment period.

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levied

non-progressive

fiscal pressure

taxed

additional tax  
rate

# Country A

Tax assessment:	- by taxpayer
	- if failure to do so, tax administration/request filing/ + corresponding fine
	- if failure, by tax administration itself
Filing & payment:	- per year / 3 months following the end of the tax period
	- request for deferral – up to 48 months but adding interest charges.
Complementary reports:	Annual (February) = transactions/last calendar year: 50 principal clients and suppliers
	Annual (February) = investments in tax havens` (previous tax year)
	New Rule: 31 December 2000. Annual (February) = disclose transactions (previous year) with related parties resident abroad.
Advance Payments	- advance payments: month / first 17 days of the month
	- basis: prior fiscal year profits
	Exception: below a limit, quarter/ (April, June, October & Jan)
	** foreign-source income / out if withheld at source
	** receipts from abroad/ out if subject to income tax abroad
Additional Advance Payment:	- Adjustment to the tax payment (first month of the second half)
	- payment together with 7 <sup>th</sup> ordinary advance payment
Adjustment of taxes and fines	Adjustment for inflation of taxes/ refunds: yes (national consumer price index of the preceding month)
	Adjustment of advance payments: not deductible/ not creditable
	Taxes in arrears/ also subject to the adjustment
Interest	Calculated monthly according to interest rate in force in that month// fixed by Federal Congress



# Country B

Tax assessment:	- by taxpayer
	- case of official assessment: no filing; inaccurate returns/records or supporting documents
	- lack of sufficient or well-kept accounts: estimated assessment
Filing & payment:	- Annual filing – April following year
	- request for extension (filing) – (not exceed 4 months)
Advance Payments	- monthly
	- basis: % of revenues derived in that month
	Exemption: loss previous year
	If loss in any one quarter = exemption in the following
	Excess of advance payments over final liability = refund to taxpayer
	Foreign source income: taxable when collected
Adjustment of taxes and fines	Adjustment for inflation: taxes, interest and fines (national consumer price index of the preceding month)
Interest	1.5% / late payment of taxes
Penalties	Tax violations: fines (in tax units)
	Filing in arrears: 10% of tax due (+ 2% p/month after 5 <sup>th</sup> )
	Incorrect returns/records: 5-20% of difference due
	Fraud: 50% - 300% tax evaded + imprisonment