

Crackdown Pinches Tax-Dodging Argentines

By CALVIN SIMS

BUENOS AIRES, June 9 — Tax evasion has long been something of a national pastime in Argentina. With few laws and little Government effort to prosecute tax cheats, many Argentines have openly boasted about how much they have defrauded the state.

That began to change with the election of Carlos Saul Menem as President in 1989. Mr. Menem began an aggressive campaign against tax dodgers, sending inspectors to shut down businesses that refused to pay and pushing through a law that for the first time set prison sentences and stiff fines for tax fraud.

But many Argentines are now complaining that the Government has gone too far. It recently announced that it would begin inspecting credit card bills and insurance policies to compare people's income tax returns with the amount of money they have been spending and the assets they have insured.

But a plan to ask all Argentines traveling outside the country or making a purchase of more than \$10,000 to present a certificate showing they have paid their taxes is perhaps the most unpopular move.

Argentines who do not present the certificate will still be allowed to travel outside the country and make large purchases, but travel agents and businesses are required to report those people to the Government, which will investigate their tax-payment history.

The latest crackdown on tax evasion has outraged and scared many Argentines. Half of them still do not pay their taxes, say tax officials, at a loss to the Government of \$24 billion a year, or more than half the national budget, which is about \$40 billion.

Income tax rates range from 6 percent on earnings under \$10,000 to 30 percent on earnings of \$120,000 or more. Argentines are also required to pay an annual "personal wealth" tax of 0.5 percent on the value of all assets above \$102,300.

Alberto Tarsitano, a tax lawyer and law professor, said that examining credit card and insurance records and requiring tax certificates were part of a "psychological

campaign" by the Government to scare people into paying their taxes before the deadline this month for income tax and wealth tax payment.

"The people who feel hurt by these new measures are usually those who never paid taxes," Mr. Tarsitano said. "Take any professional, a doctor or a dentist, for example. He will swear that because he paid his gas bill that he is paying taxes."

Argentines said the new measures were particularly onerous because the country is in a deep recession,

Argentines say their Government has gone too far.

unemployment is a record 18 percent, and people see no results from the increased taxes, but they do see news reports of corruption.

"Why should I pay my taxes?" said Pedro Rolland de Gonzalo, who owns a convenience store. "I'm working 14 hours a day just for the basic necessities, and the Government won't even repair the sidewalk. And look at the politicians: they are living like royalty."

Fernando Trabaglino, an accountant, said his clients were complaining like never before. "People are simply fed up with this stepped-up tax collection," he said.

"They can't understand why the Government just keeps squeezing and squeezing more and more when they are already dry."

Civil libertarians and judges have also criticized the new measures, saying they violate privacy rights.

Judge Julio Cruciani, who hears cases involving economic crimes, said the Government was trying to create "a nation of snitches" and that the country's estimated six million credit card users could file legal complaints charging their privacy had been violated.

"If public officials were controlled to even 10 percent of the extent private citizens are controlled, Argenti-

na would be a great nation again," the judge said.

Some economists and industry executives have said the measures are bad for business and will ultimately reduce tax collection because they will encourage more people to operate in the underground economy, in which everyone from street vendors to many large businesses avoid regulation and taxes by operating on a cash basis.

Many Argentines insist on using cash when paying their rent and making major purchases like large appliances, cars and even real estate, often worth tens of thousands of dollars, to avoid taxes.

Tax officials said that the Government's latest crackdown was necessary because of a decline in tax revenues in recent months that will make it difficult for Argentina to balance its books and to meet targets set by the International Monetary Fund, the country's main creditor.

The decline in tax collection came despite raids on merchants and factories in which tax inspectors seized records and closed businesses that were shown to have underreported transactions. The Government has also been encouraging consumers to ask for receipts and has been holding monthly lotteries with large cash prizes for Argentines who send in receipts from establishments they have patronized.

Tax officials said that these efforts had done little to increase collection.

"Previously the Government used terror tactics through the use of spectacular raids, which in practice lead to nothing, as they didn't raise a single peso in revenue," said Treasury Secretary Ricardo Gutiérrez. "Now, however, we have adopted information methods to show taxpayers that we know a lot about them."

President Menem has called for action to close loopholes in his 1990 penal tax law, which has resulted in only three convictions despite 5,500 tax cases having been tried in the courts.

"Our legislation should be similar to laws in the United States and other countries, where those who don't comply with their tax obligations go to jail," Mr. Menem said.