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Venezuela: Planning Minister Says Tax Reforms Crucial

by Barbara Khol

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On July 13 during a televised interview, Planning Minister Ricardo Haussmann warned members of congress that unless new sales and asset taxes are approved, spiralling inflation is inevitable. Members of congress are currently debating a 2% tax on business assets, and the administration's request for a 10% sales tax. Both the ruling Accion Democratica (AD) party and the major opposition party COPEI expressed opposition to a sales tax in excess of 5%. Haussmann said the government expected US\$8.923 billion in oil export income this year. The actual total will be about US\$1.538 billion less than the projected amount. Consequently, 1992 budget deficit estimates range from US \$1.5 billion to US\$3 billion. According to Haussmann, "We expected economic recovery in 1993, but revenue will be about the same, while public employee salaries and government purchases will cost more." The government renewed collective contracts with 1.35 million public employees the previous week. Total annual outlay for salaries is US\$1.846 billion. The cost will be covered in part by the issue of US\$1.364 billion in new treasury bonds. COPEI negotiated a series of budget reductions in exchange for approval of the 1992 budget. In late 1991, President Carlos Andres Perez announced plans to spend US\$4 billion on a social welfare "megaproject." Because of COPEI's budget pact, the administration had only US\$800 million to spend on the program this year. (Source: Agence France- Presse, 07/13/92, 07/22/92)

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