

## MICHIGAN STATE UNIVERSITY

VIETNAM ADVISORY GROUP

## OFFICE MEMORANDUM

TO : Lloyd Musolf  
cc. Roland Smith & R. Smuckler  
FROM : Milton Taylor  
SUBJECT : Latest News on Tax Reform

DATE: November 17, 1959

A discussion with Mr. Vinh, Deputy Director General of Taxation, upon my return to work on Nov. 16 resulted in the following information being obtained on tax developments:

(1) Mr. Vinh has assigned two persons to work on tax changes, one on the patente tax and the other on withholding for the income tax.

The person drafting changes for the patente tax is using my original notes which were later reproduced into a patente tax report. These recommended changes in the patente tax are nearly finished, and will then be forwarded to the Minister of Finance, and finally to the Presidency and Superior Council on Money and Credit. Conceivably, the patente tax changes could be passed by the National Assembly early in 1960. On the other hand, it is possible nothing will happen.

The second person working on withholding for the salary tax has completed a withholding schedule for employers. Previously, Mr. Vinh objected that such a schedule was not possible in Viet Nam because deductions were too complicated. I insisted that it was possible because it really didn't matter whether 70 or 90 per cent was withheld as long as withholding was instituted. Mr. Vinh's plan is to try to introduce withholding on civil servants only by January 1, 1960. This appears too ambitious, but conceivably the procedure could be introduced by March or April if no one blocks the idea.

(2) When I suggested to Mr. Vinh that the environment for tax reform was still not ideal in Viet Nam in the sense that there was no broad and enthusiastic support for changes in the tax system, he objected and said that the climate had changed even in the three weeks that I had

been away. He said that he had been told by the President very recently to work on tax reform. This should be interpreted in the light of a Presidential announcement of only two months ago that there would be no tax changes or new taxes for the time being and that emphasis would be placed on better assessment and collection.