Date: August 20, 1955

TO: Mr. Rhodes, A/D, Program and Economic Policy

FROM: H.H.B. Adler, Chief, Field Service

SUBJECT: Field Report No. FS-359

INFORMATION COPY

The attached field report is transmitted to you for your information.

Please address any comments or inquiries you may have regarding the subject of this report to me.

This report has been distributed as follows:

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Mr. Rhodes, A/D, Program and Economic Policy

Mr. Schiff, Banking and Foreign Exchange Consultant

Dr. Starr, Public Administration Advisor

Dr. Weidner, Chief Advisor, Michigan State University Project
Mr. M. H. E. Adler, Chief, Field Service

Aug. 9, 1955

Fred C. Bruhns

Suggested Research for the Michigan University Team: Creation of a Workable Tax System

FIELD REPORT NO. FS - 359

At the last Field Conference, the Michigan Team requested the Field Representatives to suggest necessary and fruitful subjects for research. I believe that one of the most necessary research subjects is the working out of an efficient system for collecting direct taxes in Vietnam.

We all know that direct tax contributions in Vietnam are woefully inadequate and that a shocking number of potential tax sources, especially in the Saigon-Cholon area, have not even been tapped. American Aid is designed to help mainly those people and nations who are willing to help themselves and to contribute to the limit of their resources to their own development. The adoption of a fair and equitable, but also an efficient tax system will prove to the free world that Vietnam is serious in her efforts to remain free and to stem the tide of Communism.

Previous and present direct tax contributions are generally based on a declaration of income. Present law enforcement agencies are inadequate to verify the accuracy of tax declarations, and political reasons have often brought to bear against the collection of taxes on income. It is therefore interesting to note that at least in one area of Vietnam, namely in the PMS, an effort was made to change to a more efficient system for the collection of direct taxes. In 1954, Nguyen De, the then Imperial Delegate for the PMS, introduced a French inspired tax code, the "Projet Culman", which did largely away with the non-verifiable declarations of income and started to tax entrepreneurs mainly according to the size of the enterprise, i.e., the number of physical assets, the number of employees, etc. A barbershop, for instance was taxed according to the number of barber-chairs, of employees, etc., and taxes were collected monthly. It is impossible to give details in this report, but I can furnish a copy of the tax code, in Vietnamese and in French, to any interested persons. The important thing is the result: the local authorities assured me that the introduction of the new code in 1954 resulted in an increase of direct tax contributions by more than 50%, with especially the small people paying more willingly as they understood the tax system which gave them the impression of being a fair and advantageous one. As the new code was introduced gradually, the increase of contributions in 1955 is expected to be even larger.
As the PMS which, as a crown domain, was not dependent from the central authorities in Saigon prior to March 1st, 1955, is now being governed by Saigon, the continuation of the PMS' special tax system and the progress realized is now in danger of being discontinued. Of course, it is desirable that the same tax system be applied to all of Vietnam. I was informed that a national tax commission would decide in due time on tax procedures to be applied to the PMS in the future. The fact that the new PMS tax code was introduced by the Imperial Cabinet with French inspiration might militate politically against the code. I am convinced, however, that the code constitutes a considerable progress in comparison with the old one which is still, I understand, applied to the rest of Vietnam.

As the Vietnamese government specifically requested the aid of the Michigan University Team in administrative, financial and fiscal matters, I believe that we have an excellent opportunity to study the tax problem and to come up with a system which we can recommend to the Vietnamese government. If we recommend a code which is similar to the one which successfully worked in the PMS, the political stigma might be taken from it. Perhaps we can even greatly improve the code Culman or can come up with a third system of our own. At any rate, I believe that this research must be done quickly and thoroughly. If the Michigan Team is interested, I can send them budgetary and other figures which will document the interesting tax collection experiment which was done in the PMS.
Mr. M. H. B. Adler, Chief, Field Service

Sept. 19, 1955

Fred C. Bruhns

Personnel Shortages and Changes in Local Government Services
in the Northern PMS.

FIELD REPORT NO. FS - 457

This is just a reminder that the northern provinces in
the PMS, i.e., Pleiku and Kontum, have practically none of the
technical personnel which usually is a component of provincial
government. Thus, the province of Pleiku has, besides its Chief
of Province, Assistant Chiefs, and the clerical staff, only
two technical agents, namely a Public Works engineer and an
inspector of primary schools. There are no agents of the
Agriculture Service, of the Health Service, of the Welfare
Service (Action Sociale), Veterinary Service, etc. The province
of Kontum was without a province chief for several months,
but I was just informed that the present Assistant Chief of
Province, Mr. Truong van Vinh, will be made Acting Chief of
Province, and that the apparently very capable Assistant Chief
of the province of Darlac, Mr. Giap ngoc Phuc, will be transfer-
ered to the province of Kontum in the same capacity. As far
as I know, the province of Kontum has practically no technical
government agents either. Visits of regional chiefs of technical
services or their assistants to the northern provinces occur
only on extremely rare occasions. The Government Delegate, since
he assumed his post, has visited neither Pleiku nor Kontum.