

Taxes as an economic policy instrument in Bolivia**Los impuestos como instrumento de política económica en Bolivia**

CARRASCO, Diana†, LLANOS, Euler and HUBERT, Fátima

*Universidad Mayor Real y Pontificia de San Francisco Xavier de Chuquisaca, Bolivia.*ID 1st Author: *Diana, Carrasco*ID 1st Coauthor: *Euler, Llanos*ID 2nd Coauthor: *Fátima, Hubert*

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Abstract

Economics as a science gave an order to the precarious notion of taxation as political domination and imposition focused discussions on aspects not only economic but also social, trying to be fair and equitable way. It adds to the form oldest state intervention in the economic life of a society was and is the taxation. The right of the primary authority of a country to tax and fiscal policy that determines who will be taxed, how much will be the tax and for what purpose will be required has always been a matter of controversy. Thus, in the regulatory framework, which establishes the rules under which tax figures are governed, and fiscal policies that aim to improve the collection and make it more equitable. Therefore, this study aims to investigate the tax as an instrument of economic policy in Bolivia, it has been applied to the deductive, historical and analytical methods.

Economy, Taxation, Bolivia**Resumen**

La economía como ciencia dio un orden a la precaria noción de la tributación como dominación política y la imposición centró las discusiones en aspectos no solo económicos sino también sociales, tratando de ser de manera justa y equitativa. Se suma a la forma más antigua de intervención estatal en la vida económica de una sociedad que fue y es la tributación. El derecho de la autoridad principal de un país a tributar y la política fiscal que determina quién será gravado, cuánto será el impuesto y para qué se requerirá siempre ha sido un tema de controversia. Así en el marco regulatorio, que establece las reglas bajo las cuales se rigen las cifras tributarias, y las políticas fiscales que apuntan a mejorar la recaudación y hacerla más equitativa. Por ello este estudio tiene como objetivo investigar el impuesto como instrumento de política económica en Bolivia, se ha aplicado a los métodos deductivo, histórico y analítico.

Economía, Tributación, Bolivia

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† Researcher contributing as first author.

Introduction

Public revenue can influence both economic structures and the situation of the country in question. Through appropriate fiscal policies, the State can favor the growth and development of its nation, especially since through these it is possible to influence the levels of income allocation among the population through a certain level of taxation between the different strata, which depends largely on the level of collection achieved. Now, for taxes to work properly and achieve their fiscal objectives, it is necessary that they meet a series of characteristics that can be of a different nature such as: economic, political, social, moral and legal. In order for these principles to be fulfilled, it is necessary to bear in mind two basic elements: on the one hand, the regulatory framework, which establishes the rules under which tax figures are governed, and on the other, the fiscal policies that aim to improve the collection and make it more equitable.

Materials and methods

- Logical deductive method

Through this method, the principles discovered are applied to particular cases, based on a trial link. The role of deduction in research is twofold:

First it consists of finding unknown principles, starting from the known ones, a law or principle can be reduced to a more general one that includes it. It also serves to discover unknown consequences, of known principles. This method is arranged for the stage of the theoretical framework and the introduction of economic and tax theories, in addition to strengthening the work in the general framework of the research.

Historical method

It is linked to the knowledge of the different stages of the objects in their chronological succession, to know the evolution and development of the object or phenomenon of the investigation it is necessary to reveal its history, the main stages of its development and the fundamental historical connections. By means of the historical method the concrete trajectory of the theory is analyzed, its conditioning to the different periods of history.

The logical methods are based on the historical study showing the internal logic of development, of its theory and finding the deepest knowledge of its essence. The logical structure of the object implies its modeling.

This method will be exposed throughout the general framework of the investigation and will help to draw conclusions. It will be the one that is most widely applied to our research.

Analytical method

The elements of a phenomenon are distinguished and each one of them is reviewed separately. It consists of the extraction of the parts of a whole, in order to study and examine them separately, to see, for example, the relationships between them.

These operations do not exist independent of each other; the analysis of an object is carried out from the relationship that exists between the elements that make up said object as a whole; and in turn, the synthesis occurs based on the previous results of the analysis.

This method will be used when carrying out more specific and specific analyzes on each of the taxes and their political, economic and social repercussions.

Results and Discussion

Fiscal policy in Bolivia has changed notably in recent decades, after the recognition that the stable macroeconomic environment contributes to the growth of the economy, together with an adequate set of economic reforms that improve efficiency.

"A good tax system must be designed in such a way that it satisfies the requirements of equity in the distribution of the burden, efficiency in the use of resources, macroeconomic policy objectives and ease of administration" 2.

Below is a detailed table of the taxes that are in force in Bolivia, specifying that it is specifically what each one of them levies, on whom it falls, what are the exceptions and, finally, what is the aliquot or percentage that stipulates the Bolivian tax law.

Initials	What Gravel?	Who Pays?	Who does not pay?	What is the aliquot?
IVA	Regular sales of movable property, rental and sublease of property and real estate, services in general, definitive imports, financial leasing with movable property	Natural or legal persons that carry out the operations mentioned above	Exports. Sale of tourist services and accommodation to foreign tourists. Diplomatic corps imports. Bonafide imports up to \$1,000. The transfer of goods or assets subject to securitization processes by securitized companies. Portfolio transfer. Transaction with public offering securities. Cultural activities of national artists in state or municipal settings.	It is 13% of the net price of sale and/or provision of services, the payment of this tax is monthly.
RC-IVA	a) Taxpayers in a dependency relationship: - Salaries and salaries of the dependents. - Wages, bonuses, overtime, bonuses, allowances, etc. This tax is paid by all employees in the public or private sector through the Withholding Agent (employer). b) Direct taxpayers: natural persons and undivided estates that regularly receive income from: - Rentals. - Interest on deposits in fixed-term savings accounts and checking accounts. - Directors' fees of S.A. and Trustees. - Anticréticos (presumed). - Salaries of staff recruited locally by diplomatic missions, orgs. international and foreign governments. - Income of people hired by the public sector (consultants).	All public or private sector employees through the Withholding Agent (employer). All natural persons and undivided estates mentioned above.	Natural persons who receive retirement income and old-age pensions. - Strenna. - Social benefits. - Subsidies. Other similar	It is 13% on the difference in income and allowed deductions, the payment of this tax is monthly. It is 13% of the total amount of income received, the payment of this tax is quarterly.
IUE	a) Companies: On their net income. b) Liberal professionals or trades: On the presumed utility, 50% of the total amount of the income received.	Public and private companies, including sole proprietorships. People who exercise liberal professions or trades independently.	The National Government. Municipal governments. Public universities. Associations, foundations and authorized non-profit institutions. - New industries established in El Alto.	It is 25% on net profits, this tax is paid annually up to 120 days after closing your fiscal management. It is 25% on the presumed net profit, the payment of this tax is annually up to 120 days after the closing of its fiscal management.

IT	The income earned from the exercise of any lucrative or non-profit activity from: • Trade • Industry • Profession • Trade • Rental of goods • Works and services • • • Free transfer of personal property, real estate and rights.	All natural or legal persons that carry out the activities indicated.	Personal work in dependence. - Exports. - Performance of public office - Securities market law - Purchase and sale of minerals, metals, oil, etc. - - - Portfolio transfer.	It is 3% of the transaction amount, the payment of this tax is monthly.
IMT	Eventual transfers of property and / or motor vehicles	Owners who transfer their real estate and / or motor vehicles (when it comes to their 2nd or subsequent sale)	Sale of motor vehicles by commercial houses, importers	It is 3% of total amount of transfer, the payment of this is made 10 business days after the birth of the taxable event (transfer minute)
IPB	Ownership of: real estate, motor vehicles	owners of real estate and / or motor vehicles	Beneméritos or their widows (in real estate up to the first leg of the tax scale), Central Government, Associations, institutions, non-profit foundations, diplomatic missions, peasant land, small property, rural real estate not affected by commercial or industrial activities, owned by ayllus or others.	It varies according to the characteristics and value of the property through zoning tables, tax scale and depreciation; the payment of this is annually, on dates established by the Executive Power
ICE	Sales in the domestic market and final imports of goods for final consumption of: • Cigarettes and tobacco • Motor vehicles • Refreshing drinks • Beer • Purple corn liquor • Alcoholic drinks	Manufacturers and importers who market with them wholesale.	Retail distributors.	It varies depending on the good between the percentage or specific rates, the payment of this tax is monthly.
IEHD	The importation and commercialization in the domestic market of hydrocarbons and their derivatives.	The natural or legal persons that import or market these products.		It varies at specific rates per unit of measure, updates or others, the payment of this tax is monthly.
TGB	Free transfers of registrable goods.	The beneficiaries of estates, wills, etc.	Central government - Municipal governments - Associations, foundations and authorized non-profit institutions. - Beneméritos de la patria	It is 1% for father, children, spouse; 10% siblings and descendants; 20% collateral, legatees.
ISAE	Tax on air departures abroad.	All the Bolivians and foreigners residing in the country who go abroad.	People with passports diplomatic - Under 2 years - Merits of the homeland. - - Members of sports delegations	Es de BS 190 cada vez que se viaje al exterior vía aérea.

ITF	Only transactions in national or foreign currency with maintenance of value.	people natural or legal holders of the accounts, those that make payments or transfers of funds, those that acquire checks, those that instruct transfer or money sent, etc.		It is 0.15% or 1.5 per thousand, the tax is paid for taxpayers in each taxed operation and for withholding agents every fortnightly period.
IDH	The production of hydrocarbons throughout the national territory in the first stage of commercialization.	All natural or legal persons, public or private, that produces hydrocarbons anywhere in the national territory.	The volumes of gas destined for social and productive use in the domestic market.	It is 32% of 100% of the volumes of hydrocarbons measured at the inspection point, the payment of this tax is monthly.
IEHD	The importation and commercialization of the domestic market of hydrocarbons and their derivatives.	The natural or legal persons that import or market these products.		It varies at specific rates per unit of measure, updates or others, the payment of this tax is monthly.

Table 1 General tax table
Source: National Tax Service

The five most important taxes in terms of tax collection are detailed below, in Bolivia the years of study.

Collection of the five taxes that contributed the most in the years 2005 - 2009					
	Year 2005	Year 2006	Year 2007	Year 2008	Year 2009
VAT (imports)	2.706.846.104	3.130.403.549	4.002.028.410	4.931.020.551	4.284.973.517
HDI	2.328.114.807	5.497.171.483	5.954.389.757	6.643.519.828	6.465.159.945
VAT (domestic market)	1.936.564.130	2.466.267.757	3.000.778.076	3.750.803.611	3.554.098.999
IEHD Internal Market	1.514.869.757		2.054.966.429		
IUE	1.481.408.361	1.959.434.395	2.250.594.762	3.657.308.852	3.761.309.925
ITEM		1.596.933.359		2.252.622.718	2.003.102.264

Table 2
Source: Own elaboration with data from the SIN and the Bolivian National Customs

Currently, the Bolivian tax system is focused on the Direct Tax on Hydrocarbons and the Value Added Tax (VAT), as can be seen in the previous table, these taxes are the ones that contribute the most to national income and their main attributes They are: the possibility of endogenizing tax control through cross-control by the taxpayers themselves and its characteristic of consumption tax, as an incentive to save.

Below, in a detailed and chronological manner, it will be shown how certain taxes affect the different sectors and companies within our Bolivian economy. We will basically talk about the Creation of the Tax on Financial Transactions, Direct Tax on Hydrocarbons and the Change of System for Carriers.

In the first place, a follow-up will be carried out on the changes and repercussions that these taxes have had, obtained from written sources such as the newspaper (Correo del Sur), later an analytical summary of all this news will be made.

We will start with the Banking sector, the effect that the Financial Transaction Tax (ITF) has on it, seeing how simple modifications of it can cause imbalances in the income of the sector and the State.

Date	Detail	Law or decree
28/04/2004	Although officially announced by the Government, the association of Private Banks of Bolivia (Asoban) assures that in June not all the banks of the system will be in a position to carry out the withholding of the Financial Transaction Tax (ITF), they also affirmed that the main problem of the application of the ITF will be the synchronization of the times and forms in the collection. In response, the Ministry of Finance announced that the latest revisions are being made and during the course of this week the ITF regulatory decree will be promulgated. The ITF rate, established by the Government, will be 3 x 1,000 the first year and 2.5 x 1,000 the second year. The projected collection for the General Treasury of the Nation, during the two years of tax application, reaches \$ 160 million. However, before its application, the transitory tax had an effect on public confidence and caused deposits to contract by US \$ 145 million during the first quarter of the year.	Law 2646 of 04-01-04 that says: "creates the financial transactions tax with the aim of taxing financial operations in foreign and national currency with maintenance of value, for 24 months from its effective date, the ITF tax rate will be 0.3% during the first 12 months of its application and 0.25% during the following 12 months".
28/06/2004	Time deposits (DPF) increased in the last 30 days as a result of the next application of the Financial Transaction Tax (ITF), according to sources from the Association of Private Banks of Bolivia (Asoban) DPFs are savings in the financial system in which, unlike a savings bank, money is deposited for defined times ranging from 30 to 1,080 days, at an average annual interest rate of 9.5% in national currency, and 4.95% in foreign currency. Time deposits grew from 1,328.5 million dollars in 1994 to 2,066.8 million in 1998. As of that year, the fall was sustained, until 956.6 million dollars in April 2004. However, in May this latest trend changed and DPF rose to \$ 977.6 million, an increase of 2.1%	

01/07/2005	<p>The income from today of the Transaction Tax Financieras (ITF) to banks, is for the Executive Power the beginning of the path to de-dollarize the Bolivian economy, through a greater use of the national currency in both the public and private sectors. To avoid paying this tax, many people yesterday began to modify their behavior before the financial system, such as changing their deposits in dollars to Bolivians, partially withdrawing their money to register less than a thousand dollars, while others preferred to close their accounts. The Central Bank of Bolivia (BCB) considers that reducing or eliminating the dollarization process would produce greater freedom of monetary and exchange policies, helping to achieve economic policy objectives.</p>	
08/07/2005	<p>The Government of Carlos Mesa through a law of April 1, 2004, the ITF instructed on a temporary basis, according to the legal norm, all transactions in foreign currency contributed a tax of 3 x 100, in the first year of validity. Now it can be seen that the first six months of collection were somewhat irregular because the monthly amounts vary from 4 to 10 million bolivianos, while the income of the last six months remained stable in a range of seven to eight million bolivianos. bolivianos per month. Another interesting fact is that the ITF managed to collect in six months of the 2004 management more than any other tax in 12 months of the same year.</p>	
18/11/2005	<p>For the Association of Private Banks of Bolivia (Asoban) the decision to maintain the Financial Transfer Tax (ITF) indefinitely responds to pressure from international organizations. Figures from the National Tax Service (SIN) show that 353.5 million Bolivianos were collected from July to December 2004, while from January to October of this year 522.6 million. The collections for this concept go to the General Treasury of the Nation (TGN) to cover state expenses.</p>	
12/01/2006	<p>The National Tax Service (SIN) from April of this year will launch the ITF control plan to the 12 largest entities in the country to verify if the withholding of this tax was made correctly. The control will be carried out by auditing of computer systems, for which computer experts and auditors were hired. Thanks to the application of the ITF, in 2004 the country raised 313.7 million bolivianos and last year a total of 632.6 million.</p>	
10/03/2006	<p>Through a letter sent to the Government, Asoban rejects the possibility of expanding the ITF, since they affirm that it caused distortions in the payment system and in monetary policy; On the other hand, former minister Gutiérrez advised giving the transaction tax indefinite permanence.</p>	

10/05/2006	<p>The president of the Association of Private Banks of Bolivia (Asoban), Emilio Unzueta, reported that the Government made them know that it will extend the validity of the application of the ITF, in addition this representative indicated that if the ITF is expanded through a law, Asoban will abide by this provision, but there is an offer from the Executive Power to discuss this issue in order not to harm the development of the bank.</p>	
04/06/2006	<p>Executive branch wants to invest the ITF in health and education. The Proceeds generated by the indefinite enforcement of the Financial Transaction Tax (ITF) will be spent on improving health and education in the country, confirmed the Deputy Minister of the Treasury and Public Credits, Oscar Navarro.</p>	
08/06/2006	<p>The Government's proposal to definitively implement the Financial Transaction Tax (ITF) contemplates raising to \$ us 2 thousand the amount from which the tax will be applied. Currently, the ITF taxes at 2.5 per thousand financial transactions from 1,000 dollars, except deposits and withdrawals in savings banks of natural persons in national currency or Housing Development Units (UFV) and deposits and withdrawals of savings banks in foreign currency of individuals with lower balances or up to \$ us 1,000</p>	
21/06/2006	<p>Last night the Chamber of Deputies approved the bill that The Financial Transaction Tax (ITF) applies indefinitely to all operations in foreign currency, including the US dollar, the euro or the yen. After the approval of this instance, the document was sent to the National Senate for its constitutional review and it is expected that it can be approved during the week, so that the collection of the ITF guarantees the solvency of the General Treasury of the Nation, a Once promulgated by the Executive Power before the end of the month.</p>	
30/06/2006	<p>The Government asked the National Senate that on July 4 approve the Financial Transaction Tax for a period of one more month, until Congress gives a course to this rule. The ITF is a tax approved in 2004. It is applied to commercial and financial transactions, including savings, whose amounts exceed US \$ 1,000. If the operations exceed that figure, they must pay an aliquot of 2.5% per thousand. That period legally ends today. For this reason, the Ministry of Finance presented a bill to make this tax more flexible. Making only financial operations charged</p>	
	<p>higher than US \$ 2,000 and except from this tax to any transaction in bolivianos. This proposal was not approved.</p>	

10/07/2006	The Government, the Superintendency of Banks, financial institutions, businessmen and senators reached an agreement and consensus on the bill that establishes the expansion of the ITF, with this, it is expected that the standard will be approved.	
13/07/2006	The fragile majority of the MAS in the Senate due to the absence of the MNR and National Unity, forced yesterday to postpone again the approval of the permanent ITF Law, and to open negotiations with the opponent Podemos the text of the new bill sent by the Executive Power. The main discrepancy between the MAS and Podemos is whether the ITF will be raised to the rank of a State tax, therefore, it can be shared between the TGN, the universities, municipalities and prefectures. The executive asks that the ITF be the exclusive benefit of the TGN to cover part of the fiscal deficit. However, Podemos requires the percentage redistribution as is currently the case.	
20/07/2006	The Chamber of Senators approved yesterday, the new Financial Transaction Tax Law, which will be valid for 3 years and will apply 1.5 per thousand to a base of US \$ 2,000 deposit and bank withdrawals. The amended law returned to the lower house for review.	
22/07/2006	Senator Santos Ramírez, as President of the Republic in exercise, yesterday promulgated the Financial Transaction Tax Law and highlighted that for the next three years the TGN has guaranteed revenues of 450 million bolivianos to cover the fiscal deficit. At his turn, the Minister of Finance, Luis Arce, does not share the criticism of the ITF. He recommended to banks and exporters to make optimal cash management in national and foreign currency, because the Bolivian is exempt from the new tax. Meanwhile, the manager of the Bolivian Institute of Foreign Trade, Gary Rodríguez pointed out that the policies should support the generation of production and not more taxes.	
27/07/2006	The financial system once again taxed banking operations with the ITF, despite the fact that the executive power has not yet approved the regulation of the Law that restores the validity of the tax.	
11/07/2009	The three-year extension of the ITF enters into force on July 24, as established by Supreme Decree 199. The norm specifies that this tax was extended by the Law of the General Budget of the Nation. Yesterday, several sectors made their criticisms known.	

Table 3 Tax on financial transactions and its effect on banking

Fuente: Diario Correo del Sur de los años 2004 a 2009

Analysis of the creation and changes of the financial transaction tax

Bolivia at the beginning of 2004, was going through a very difficult situation in the economic field, was experiencing transcendental changes, driven by the currents of the globalization phenomenon, for this reason our country was forced to apply a series of economic measures (the majority to "recommendation" of the IMF) so as not to be relegated, for this reason, in the first instance, the Government of Sánchez de Lozada tried, for example, to implement the salary tax that was forcefully rejected by a large part of society, which resulted in what happened in October 2003 and the subsequent resignation of the president.

At the beginning of 2004, the Government of Carlos de Mesa, who enjoyed greater confidence and acceptance, raised the ITF and the personal net worth tax, two measures that were proposed to cover the fiscal deficit, although the second should have been left without in effect, after generating a massive social rejection.

The Bolivian state was bankrupt. His meager income did not allow him to guarantee with his own resources, the payment of bonuses and salaries of the 2003 administration, so he resorted to loans and immediate international support for 90 million dollars. By 2004, the situation was becoming much more serious.

For all these reasons, this new tax was adopted on April 1, 2004 with Law No. 2646, but it only came into effect in the country on July 1, 2004, however, the financial intermediation system began to feel its effects from its announcement, at the beginning of February. This decree was originally intended to reduce the fiscal deficit from 8 to 6.6%, through a potential collection of resources.

The purpose of the financial transaction tax is to tax financial operations in foreign currency and in National Currency with Maintenance of Value with respect to any foreign currency.

The tax rate for the ITF was 0.3% during the first 12 months of its application and 0.25 % during the following 12 months, to balances equal to or greater than 1,000 US dollars and as of July 21, 2006, the Tax Rate on Financial Transactions (ITF), was reduced to 0.15% for 36 months, to balances equal to or greater than 2,000 thousand US dollars.

The ITF was successful as a means of tax collection and this led to its extension until mid-2009.

In 2006, the Government decided to extend the validity of the ITF for three additional years, explicitly stating the objective of reducing the dollarization of deposits, which became another of the purposes of this tax to increase the use of Bolivian currency. And since then, current deposits have decreased and fixed-term deposits have increased, the main reason is that in the DPF's, money is deposited for defined times, which means making fewer financial transactions and therefore non-payment of the ITF.

Today government authorities say that the main objective of the ITF is to de-dollarize the Bolivian economy through a greater use of the national currency, both in the public and private sectors. To avoid paying this tax, many people throughout the term of the ITF began to change their deposits in dollars to Bolivianos, proof of this is that the deposits received by the financial system in foreign currency fell from 84% in 2005, to 53% in 2009, and only 16% was in local currency in 2005, in 2009 the participation of deposits in Bolivianos increased to 47% of the total.

The level of dollarization has fallen notably in recent years and Bolivia is at the same level as neighboring Peru in deposits, according to the report "Economic Outlook for the Americas" presented by the international monetary fund.

Even though the ITF was a temporary tax created to cover the deficit, after having fulfilled that objective the financial transaction tax is maintained, the Government authorities indicate that it is a prevention instrument, in addition that it has not yet fulfilled in its All the other objective which is to "Bolivianize" the national economy.

Before they used the ITF to collect money, now it is an instrument with a different objective according to the Government. Although this tax generates income for the country, it has affected since its creation to the present day, mainly the national company that carries out multiple deposit and money transfer transactions from the beginning of the production cycle to the final marketing of its products. This type of tax is not only being applied in our country, but in various modalities it has been applied in Argentina (debits and credits of Ctas. Ctes.), Colombia (debits and withdrawals Ctas. Ctes. Y Ahorros), Brazil (money transfer of checks), Ecuador (debits and credits) and Peru (debits and credits). All are in force except for Ecuador. Except for the Brazilian case, it constitutes a tax that has been applied by countries when they are in crisis.

Year 2005	Year 2006	Year 2007	Year 2008	Year 2009
632.573.065	446.057.782	323.599.188	340.251.517	338.607.670

Table 4 Collection of the financial transaction tax 2005-2009 (Bolivia)

Source: Own elaboration based on data from the INE Annex: Graphic 1

In 2005, the collection from the financial transaction tax was Bs. 632,573,065, which represented a considerable increase in income to the general treasury of the nation, which allowed reducing the fiscal deficit in this management, since It should be taken into account that this tax was created for this purpose. It can be said that it fulfilled too much the expectations that were had regarding tax collection.

In 2006 the amount collected by this tax was lower, basically due to the reduction in the tax rate, which was initially 0.30% and since July of this period it has been reduced to 0.25% and was also due to the behavior of taxpayers who began to take a series of attitudes to avoid paying it, such as: reducing the use of the currency taxed by this tax such as the US dollar, and began to use the Bolivian, reduced the number of bank transactions, they began to make fixed-term deposits to somehow immobilize their money and not have to pay the tax for each transaction, because of these measures, this year Bs. 446,057,782 were collected, which although this amount had a decrease It is still a very important income for the State coffers and for the objective of this tax, which is finally fulfilled because this year it is already beginning to have a fiscal surplus after several years of deficit.

In the 2007 period, the collection of the financial transaction tax (ITF) was further reduced to Bs. 323,599,188, again it is due to the reduction of the aliquot to 0.15% and only transactions in higher or higher dollars are taxed. equal to \$ 2,000, leaving aside a large number of taxpayers who carry out transactions in amounts less than this, since in principle this tax was levied on transactions greater than \$ 1,000.

In 2008, the behavior of collections increased by 5.14% in relation to the previous year, reaching Bs. 340,251,517 for the financial transaction tax.

The following year 2009 Bs. 338,607,670 were collected, which means a reduction of 0.48% with respect to the collections that took place during 2008.

Now we will focus on the HDI, which is undoubtedly the tax that has had the most controversies and effects on companies, the Government, prefectures, mayors, universities and citizens of our country.

Below are the chronologically detailed facts of this tax and its great effects in Bolivia:

Date	Detail	Law or decree
30/03/2005	The oil companies propose to share 50% of their total profits but without paying taxes. If so, they ask to take into account investment costs, production, and tax charges.	
30/03/2005	The oil companies are not getting rid of Surtax. The draft of the new law of Hydrocarbons, which is reviewed by the Senate, maintains the Surtax, adding it to the IU profits taxes and IRUE remittances abroad, in addition to royalties and the IDH, the oil companies will pay more than 50%.	Art. 55 of Law 843
02/07/2005	The new Hydrocarbons Law reports its first economic results. The Government collected US \$ 13 million in the last two days from the Direct Tax on Hydrocarbons (IDH), effective as of the date of enactment	New Hydrocarbons Law

02/07/2005	The Ministry of Finance indicated that it will invest the resources of the HDI in job creation. In compliance with Supreme Decree 28223. - From the effective resources distributed to the General Treasury of the Nation for the IDH, funds will be allocated in favor of indigenous peoples, peasant communities, municipalities, universities, Armed Forces, National Police and others; for educational, health, roads and productive development projects ”.	DS 28223
02/07/2005	IDH taxpayers must submit their monthly Affidavits until the 25th of the month following the month of audited production in the first stage of commercialization. The HDI taxes the controlled production of Oil, natural gas and liquefied petroleum gas from plants (LPG), measured at the control point in the first stage of Marketing.	Normative Resolution of the SIN Board of Directors No. 10/0017/05
02/07/2005	There are no resources to audit oil companies. The law of Hydrocarbons establishes that the Comptroller's Office must carry out the audits of the oil companies, but the comptroller Osvaldo Gutiérrez said that there are no resources in the specialized personnel to begin this process.	
03/07/2005	The Chamber of Senators analyzes the mechanisms to reach an agreement with the public university system and the country's municipalities, to avoid that the TGN keeps 1% of 32% of the HDI. The explanation corresponds to the senator and member of the Finance Commission of the Chamber of Deputies, who said that previously the municipalities and universities, for the tax on profits on hydrocarbons, will receive a little more than \$ 6 million.	Hydrocarbons Law 1689

21/07/2005	The universities of the country will stop activities today and the municipalities. They will begin mobilizations from Sunday 17, in demand of the tributary coparticipación by the IDH, that the Government reiterated that it will not be able to attend because it has to pay the fiscal deficit. Rather, it demanded that the regions benefiting from this tribute take charge of that responsibility.	Law 3058 of 19 May 2005
24/07/2005	The Government proposes that the coparticipation of the IDH, received by the prefectures, are also distributed to universities and municipalities; otherwise it is willing to grant the 25% they demand. But together with the obligation to pay salaries in education and health	
27/07/2005	Universities accept to go to dialogue without pressure on issues budgets and the HDI. During the meeting, a new stage of negotiations was approved, flexibilisations were noted on both sides, both from the Government and from the universities.	
27/07/2005	The SIN collected 289.8 million Bolivianos from the IDH corresponding to 30 days of the month of June of this year. The collecting entity indicates that if the collected in the first months of introduction of the new tax is added (May and June), the 2005 collection amounts to Bs. 404.8 million.	
13/08/2005	The Government does not give in to pressure from universities and municipalities, since that they require 25%. Despite the review of possibilities, the Government yesterday ruled out granting municipalities (20%) and universities (5%) of the total IDH, as demanded by both parties. The Ministry of Finance will present two proposals on the distribution to Congress today.	

14/08/2005	Since the Hydrocarbons Law came into force, they paid first. Once the oil companies Surtax, the oil companies paid 33 million Bolivianos, about 4 million dollars, for Surtax, an overprint on the large profits from extractive activity.	
27/08/2005	The SIN collected 333.7 million bolivianos from the IDH corresponding to the 31 days of July. In relation to June, the collection increased by 43.9 million bolivianos. Payment of the IDH is made entirely via the internet, which allows the SIN to have the result of the collection online.	
31/08/2005	On the condition that more administrative powers are assumed, the Government proposes 60% to municipalities and universities. The government of President Eduardo Rodríguez proposes to allocate 60% of the money collected by the IDH to the departments, mayors and universities with delegation of powers.	
31/08/2005	As a consequence of the approval of the Hydrocarbons Law, the sector. The public stopped receiving around 100 million dollars for its participation in the oil royalties 83.4 million, patents 6 million and the tax on profits 107 million dollars, explained the Minister of Finance	
01/09/2005	The legislative branch rejected the Government's proposal to give the prefectures, municipalities and universities 60% of the HDI. Representatives of the executive and Congress met yesterday to discuss the distribution of funds and the discrepancies were evident	

02/09/2005	The Government could not convince yesterday the representatives of the municipalities and universities in the country to redistribute the collections for the HDI. According to the proposal of both powers, presented to the different institutions, the IDH would benefit prefectures 75% and municipalities and universities 25%. In round numbers, this distribution for municipalities represents about 40 million dollars a year and for universities 10 millions of dollars.	
05/09/2005	The president of Congress. Sandro Giordano, explained that there is a beginning agreement between the executive and the legislature to consider changes in the HDI which intends 50% for the regions and the other 50% for the TGN. The Government and regional and municipal representatives began to find a common ground on the distribution of the HDI and there is even talk that a consensus could be reached on the matter.	
05/09/2005	The Indigenous Confederation of the Bolivian East will begin a march today of the sector that will depart from Trinidad to the city of La Paz, to demand from the Government a 15% share in the HDI, as well as to reiterate the demand for land and an active presence in the Preconstitutional Commission.	
08/09/2005	Municipal governments and the state university system initiate measures more forceful pressure against the Government of President Eduardo Rodríguez. The demand for the participation of the IDH has gone to the stage of pressure with the installation of hunger strike pickets and protest marches that could disturb the electoral climate. This problem when municipalities and universities came together to request a participation of the IDH for infrastructure.	

09/09/2005	The mayors and universities massify pressure measures, threatening blocking roads if the Government does not give in. On the other hand, President Eduardo Rodríguez described as immature the attitude of the authorities to demand resources	
09/09/2005	The Government failed to convince municipalities and universities about how you can distribute one hundred million dollars of the 417 million that you hope to raise from the HDI in 2005	
10/09/2005	A group of university students took over the building of the National Tax Service SIN in Santa Cruz, within the framework of social protests carried out by the country's universities and municipalities, demanding that the IDH be distributed 25% between these two institutions. The Government does not agree with this point.	
11/09/2005	President Rodríguez once again called the representatives to dialogue of municipalities and universities since there is concern about the electoral process. Because it could be affected by the IDH mobilizations	
11/09/2005	The Civic Committee, the municipalities and the Gabriel René Autonomous University Moreno, consider that the solution to the IDH conflict passes through compliance with the Popular Participation Law and not through the interpretation of the new oil regulation.	
12/09/2005	The dialogue between the municipalities and the Government was opened to seek solutions to the redistribution of IDH resources amid protests and blockades in various parts of the country. The Executive branch, through the finance portfolio, offered on September 7 to co-participate to the municipalities 25% of the 50% that corresponds to the regions, which represents an annual sum of 50 million dollars.	

14/09/2005	According to the Minister of Finance, Waldo Gutiérrez, in accordance with the Hydrocarbons, the General Treasury of the Nation must receive 54% of the HDI. But first its participation was reduced to 52% for compensation to the department of Chuquisaca and later, DS 28333 reduced its participation to 42% to compensate Cochabamba, Santa Cruz and Chuquisaca. Thus, the final distribution of the HDI results: 58% (\$ 241.3 million) for the departments and 42% (\$ 175.8 million) for the TGN. In this sense, the proposal of this Government is the following: 33% (\$ us 137 MM) for the prefectures, 20% (\$ us 83.2 MM) for the municipalities and 5% (\$ us 20.7 MM) for the universities. With the 42% that remains to the TGN, a compensation fund of 2% equivalent to US \$ 8.3 MM will be created in favor of the municipalities, universities that receive less amount of resources due to the non-participation of the total IDH resources.	
17/09/2005	The Supreme Decree that establishes the progressive granting of resources coming from the HDI and which will be elevated to the rank of Law, has a complementary nature and will not conform to the Hydrocarbons Law. According to Law 3058, the resources that are destined to the municipalities from the IDH have a precise destination determined by the binding referendum of 2004. According to the Hydrocarbons Law, the money will be invested in education, health, road infrastructure, economic development and employment	
29/09/2005	After arduous negotiations with the Government, the Indigenous people Fund of \$ 23 million, this amount of money will be distributed by the TGN.	

01/12/2005	The Government clarified that the HDI will be delivered as agreed and the Surplus from gas sales will be centralized by the TGN to meet government policies. For the HDI, El Alto receives 40,741,789 Bs. Santa Cruz 73,814,301, La Paz 49.726561 Cochabamba 37,477,380, Oruro 40,790,170, Tarija 38,113,788, Pando 33,714,740, Chuquisaca 32,074,161 and Beni 17,467,249	
25/06/2006	The Government hopes that the next elected constituents for the modification of the Political Constitution of the State, also resolve a new redistribution of the resources generated by the HDI. Law 3058 distributes the collection of this tribute to the producing departments (4%) and to the non-producing departments (2%), In addition, it provides that the Executive Power allocates the balance in favor of the TGN, Indigenous and Native Peoples, peasant communities of municipalities, Universities, Forces armed National Police and others.	
24/07/2006	The Government of Evo Morales intends to change the Hydrocarbons Law to redefine the distribution of the IDG, in order to strengthen the state company YPFB and create a Stabilization and Development Fund that will concentrate the surpluses of the gas business. To do this, it will continue negotiations with the prefectures, municipalities and regions in search of consensus.	
01/10/2006	The Government warns that if the IDH money for citizen security does not It is used by the prefects to improve police service, these will be frozen through legal regulations.	
14/12/2006	Municipal revenue rose to 1000%. According to a ranking the municipalities of the country received from 40% to 1000%, this due to the HDI and the HIPC (debt relief)	

21/12/2006	Last night the Chamber of Deputies approved the General Budget of the Nation 2007, which stipulates a 5% increase in the wage bill for education and health and increases obligations to the prefectures for spending on road infrastructure. The new budget authorizes the nine prefectures to use IDH resources to increase spending on education and health	
11/03/2007	Public institutions allocate 65% of oil income to spending current, which is harmful, taking into account that hydrocarbon resources are not renewable and sustainable, the country loses its heritage. This year, the country will receive 9,600 million bolivianos for the direct tax on hydrocarbons and royalties, according to the general budget of the nation PGN, an amount that quadruples the income of 2005, which totaled 2,400 million bolivianos, then there was no IDH, only 40 out of every 100 Bolivians that the prefectures receive for HDI and royalties, are channeled to investment, so that the largest slice goes to current spending.	
31/08/2007	Congress sanctions the rule that annuls the oil Surtax (on gas tax) This Surtax was created in the amended Law 843, but as a result of the Hydrocarbons Law 1689, in force from April 1996 to May 2005, it remained in force despite the fact that Law 3058 replaced its predecessor and continued with the laws that approve the 44 operating contracts that YPF signed with transnationals.	Tax Law 843: "The extractive activity of hydrocarbons subject to Operating Contracts is excluded from the application of the additional rate to extraordinary profits for extractive activities of non-renewable natural resources."
06/10/2007	Affecting prefectures and mayors, the Government reduces the HDI to cancel the BONOSOL. The adjustment means Bs. 72.5 million; The AFPs expect disbursements of between \$ 20 million and \$ 26 million for the payment of the Bonosol from the second half of October until the end of the year.	

08/10/2007	The replacement of IDH resources amounting to Bs 870 million year (72.5 million month), effective from September 23, will allow the management of Evo Morales to guarantee, until the end of the year, the annual payment of Bs. 18,000 to some 486,000 people over 65 years of age, the next management.	
10/10/2007	The rejection of the HDI cut is overwhelming. The pro Santa Cruz committee He summoned an Assembly pro la Cruceñidad to define a regional position, while in Beni the civic declared an emergency. At the same time, the prefectures, municipalities and public universities have demonstrated against the measure, officially announced by the Government to enable the payment of the Bonosol. There is talk of going out to protest in the streets.	
10/10/2007	The cut of the HDI to prefectures, mayors and universities tends to be permanent from January 2008. The state oil company YPF revealed yesterday that it does not have sufficient resources to make the payment of the Bonosol to people over 65 years sustainable and that to date only the company Chaco SA has paid the dividends for the current management, while Andina will decide the issue in November and Transredes will not pay dividends for making investments in new gas pipelines in the highlands and in Villamontes-Tarija.	DS 28701 of Nationalization of Hydrocarbons
11/10/2007	The Federation of Municipal Associations (FAM) announced mobilizations throughout the country due to the cut to the HDI, the prefects meet today in Pando and a series of bloc mobilizations are brewing; the readjustment to the HDI has already been in effect since August of this administration.	

14/10/2007	<p>Before the announcement of mobilizations of various sectors, the Government left without</p> <p>In effect, the resolution of the IDH cut, without affecting the payment of the Bonosol this year. At the same time, it announced the creation of the "Universal Dignity Life Income" of Bs. 200 per month that will be paid from January next year to Bolivians who have 60 years on. However, there is still doubt about the source of this benefit and several sectors continue to fear the cut.</p>	
25/10/2007	<p>Unionists and university students clashed with the police in Santa Cruz, that they were carrying out a march for the IDH. About three hundred young people tried to take over the Tax Service office and were repressed by the Police, two arrested. On the other hand, the universities ratified the mobilizations, Beni is on strike and the deputies frozen the Income Dignity Law.</p>	
02/11/2007	<p>Five of the nine prefectures of the country determined yesterday not to present the POA 2008 to the Ministry of Finance, in rejection of the new redistribution of 32.51% of the resources of the IDH that instructs the DS 29322, issued on October 25, in response the Government says that it is a political measure</p>	DS 29322 of 25 October 2007
03/11/2007	<p>Five prefectures announce trial against the executive, and the Government seeks adjust the HDI to regions by means of a Law and also says that the prefectures that do not present their POA, will receive the same amount of resources as this management, but based on the expenditure they made.</p>	

09/11/2007	<p>The representatives of Cochabamba, Beni, Pando, Tarija, Chuquisaca and Santa Cruz, against the current with many of the speeches and proposals made by the representatives of the sectors that participated in the meeting in Tarija, decided to give the Government two ultimatums. The first has a deadline of 15 this month, at which time the Executive Power is asked to repeal DS 29322 to redistribute the resources of the IDH and make the return of the monies that were confiscated in the current management to the regions for oil royalties. The second interprets that government actions seek to truncate departmental autonomies and decentralization.</p>	
10/11/2007	<p>The ruling party threatens to prosecute the prefects who issued ultimatums and the MAS rules out changing DS 29322 on the HDI. Edmundo Novillo denounced that the Prefects of the "Media Luna" formed a political mafia.</p>	
15/11/2007	<p>The deadline for the Government is met and the regions articulate pressure for the HDI. The request for repeal of the decree that imposes the cut of the oil tax to the prefectures was not attended by the National Government.</p>	
18/11/2007	<p>The Vice President Álvaro García Linera confirms it in Beni: the Departmental redistribution of the HDI and the payment of the dignity rent will be approved automatically after December 28 because they are contemplated in the draft Law of the General Budget of the Nation (PGN).</p>	
20/11/2010	<p>Five regions confirm their rejection of the gas tax cut, there are more pressure for the HDI and dignity income. Meanwhile, social sectors related to MÁS began a march towards La Paz to demand the Senate's approval of the dignity income.</p>	

21/11/2007	Street demonstrations in Santa Cruz and other regions of the country They will begin tomorrow, however, the MAS mobilizes 21,000 marchers and the Upper House asks for guarantees.	
21/11/2007	The Minister of Finance, Luis Arce, yesterday ruled out any possibility of creating compensation mechanisms in favor of the prefectures in exchange for accepting the cut of the Direct Tax on Hydrocarbons (IDH).	
21/11/2007	The Minister of Defense, Walter San Miguel and the Vice Minister of Justice, Wilfredo Chávez, demanded legal action from the Attorney General's Office against the prefects and civic leaders of the "Media Luna", who approved a declaration in which they call for "civil disobedience."	
19/11/2007	Last night the plan of the Chamber of Deputies approved the bill that defines the General Budget of the Nation PGN 2008 And sent it to the Senate without observations. In this way, the reduction of the HDI to the prefectures to pay dignity income was ratified.	
23/05/2008	Supreme Decree 29565, issued on May 14 of this year, authorizes the Municipal governments to allocate more IDH resources to promote local economic development and productive vocations, through financial incentives, the construction of public and mixed companies, the granting of fairs and the generation of temporary employment.	

06/07/2008	The Prefects of the National Democratic Council (CONALDE), in a letter to President Evo Morales, they gave a deadline until Tuesday for the immediate return of IDH resources and illegally confiscated royalties. They consider that more resources were taken from the departments than is needed to pay the Dignity Bonus. That populist measure, they say, was intended to weaken the regions. "We will demand the immediate repeal of Supreme Decree 29528", which provides for quarterly disbursements from oil companies, and no longer monthly. They also ask to repeal decrees 29434 and 29444.	
30/07/2008	From this Monday, August 4, civic groups ratify the start of measures by the IDH. Leader of five regions will meet on Saturday in Villamontes to outline their pressure measures. The civic opponents of the Government of Evo Morales demand the replacement of the IDH and oil royalties; as well as the call for a national referendum to define the seat of the powers of the State (Executive, Legislative and Judicial).	
02/08/2008	Three departments: Chuquisaca, Beni and Santa Cruz start the fight for the oil income and confirm pressure measures by the HDI. According to the CONALDE resolution approved in Sucre, this August 4, the prefects will begin a hunger strike in their respective regions.	
05/08/2008	Almost a thousand fasters claim the return of the HDI. The prefect of Beni, Ernesto Suárez, leads at least 933 people from the so-called "Media Luna" who are on a hunger strike to demand that the Government return the resources for the IDH, the defense of departmental royalties and the autonomous system, which was approved in a referendum.	

07/08/2008	There are already three prefects who are on hunger strike for the replacement of IDH resources. Leopoldo Fernández, from Pando; Ernesto Suarez, from Beni and Rubén Costas, from Santa Cruz, as well as Cossío and Cuellar will be plagued on this day to the extreme.	
08/08/2008	The issuance of the Orders of Good Governance setting limits and restrictions For the days prior to the Mandate Recall Referendum, a conflict between the opposition prefectures and the Government opened. The departmental administrations rebelled and at least four did not sign the document, but the Executive Power reacted and approved a supreme decree prohibiting a series of actions towards the Sunday consultation. However, regardless of the regulations, protests for the return of gas resources will continue in four regions.	
08/08/2008	Two days after the holding of the recall referendum of Popular mandate, the fasting of the leaders and three prefects of the "Media Luna" for the IDH increased to 1,366 strikers, while the Cobija and Riberalta airports remain taken over by the autonomists, and yesterday there were episodes of political violence.	
10/08/2008	The hunger strike that demands the reduction of the HDI continues in four regions of the country, despite the completion of the vote for the Recall Referendum.	
17/08/2008	Faced with pressure from the prefects to return the resources of the Direct Tax on Hydrocarbons (IDH) by the Government, social organizations related to the ruling party, brought together in the Unity Pact, determined yesterday to defend said revenues and demand their delivery, among other sectors, to the municipalities. They also asked for the change of some ministers.	

19/08/2008	Santa Cruz, Beni, Pando, Tarija and Chuquisaca will paralyze today, activities for 24 hours, to demand from the Government the return of US \$ 166 million corresponding to the Direct Tax on Hydrocarbons (IDH), which were cut by the executive to pay the dignity rent.	
20/08/2008	The social organizations that support the ruling movement to Socialism (MAS) and that make up the "Unity Pact" asked President Evo Morales "not to give up a single penny of the HDI in favor of the prefectures", and ratified that this weekend they would analyze the alternatives to achieve the reelection of the first president .	
21/08/2008	There was a blockade in Beni, Pando and Santa Cruz. There is also annoyance in Tarija and Chuquisaca, the opposition regions announce that they will continue with the measures to recover the gas money, reaching a deadlock with reference to the dialogue. For the Government, the demands of opponents border on contempt and the "coup d'état", according to Evo Morales.	
21/08/2008	Social sectors support Government Policies. Producers of coca de los Yungas, colonizers, Central Obrera Regional (COR) of El Alto and other organizations yesterday signed the inter-institutional agreement "for the defense and deepening of democracy" and determined to mobilize to "crush the fascist, racist and separatist conspiracy" that supposedly It is inspired by the "Media Luna" and its mobilizations for the reduction of the HDI.	

27/08/2008	<p>The National Tax Service (SIN) won 5 contentious proceedings - taxes and, consequently, three oil companies will have to pay 306.4 million Bolivianos to the State, they affirmed in the collecting entity. Due to the rulings issued by the FIRST social and administrative chamber of the Supreme Court of Justice, Transredes S.A must cancel the SIN Bs. 200 million; Maxus S.A. Bs 59.1 million and Chaco S.A. Bs 47.3 million.</p> <p>The legal proceedings against the oil companies are related to irregularities in the payment of the Business Income Tax (IUE), Transaction Tax (IT), for the sale of Liquefied Petroleum gas (LPG), tax credit undue and others, in addition to the corresponding sanctions.</p> <p>The debt of the oil companies has its origin in the 2001, 2003 and 2005 administrations, when the SIN issued determinative resolutions for the payment of taxes, a decision that the oil companies involved challenged before the judicial system, which finally ruled in the last instance.</p>	
18/09/2008	<p>Taxes ordered the oil companies to cancel their taxes, and they went to the Supreme Court, which also issued a ruling against them and forced them to cancel their debts to the SIN. The oil companies owe more than 600 million for the last five years of their production and sale of hydrocarbons.</p>	
21/09/2008	<p>On the third day of the political dialogue between the Government and the Prefects, the Technical table on the Direct Tax on Hydrocarbons (IDH) arrived last night at at least three agreements: it proposes that the IDH discount be made before distribution to the beneficiary parties, that is, prefecture, municipalities, universities and indigenous fund.</p>	

	<p>They argue that discounting the HDI from its distribution would not affect the public investment programs planned by the prefectures. On the other hand, guarantees are requested for the payment of the dignity rent, in addition to making it effective and sustainable, proposing past performance criteria and distribution mechanisms.</p>	
27/10/2008	<p>The Minister of Finance admits that there will be less income from hydrocarbons and oil royalties will fall by up to Bs. 455.8 million, this may be due to the fall in the price of a barrel of oil, which this year was from US \$ 140 to Sus 64.15. With a price of a barrel of oil at \$ 73.50 if the fall is 6%, the reduction in 2009 could reach Bs 4,285.4 million and with the 1 0% to Bs 4,103.1 million.</p>	
25/12/08	<p>The decline in the international price of oil and minors Income expected to be received from the IDH threatens the financing of the Juancito Pinto voucher, the Esperanza voucher and social programs such as school breakfast that are under government and municipal administration. The Government announced that it will keep the Renta Dignidad frozen at 1,800 bolivianos for people who do not receive old-age income and in 2,400 Bolivians to the entire population over 60 years of age.</p>	
26/02/2009	<p>The vice president of the Federation of Municipal Associations (FAM), Luis Revilla, stated that the mayors they are concerned about the lag in the disbursement of IDH resources. The authority explained that the municipalities lost about 400 million Bolivians between May and July 2008, months in which the IDH resources were not canceled. This fact will cause, according to Revilla, lags and problems in the elaboration of the Annual Operative Programs (POAs) of the mayors.</p>	

<p>01/04/2009</p>	<p>A time of lean cows for the hydrocarbon sector causes a stir in the coffers of the municipalities. Revenues from the direct tax on hydrocarbons (IDH) will be at least 30% less than last year, while the resources of co-participation (popular participation) will suffer a 10% cut. In total, 3,227 municipalities will have to face the management with 40% less than the budget ceiling according to an analysis prepared by the Municipal Management Information and Analysis Service. This means that a year is coming with a drop in investments, little attention to education, health, roads, and few works. The effects will be felt precisely when they receive the contributions of April 2009, since for the first period, from January to March, the disbursements for the HDI will be made based on the prices of a barrel of oil in September 2008, still significant, oscillating between \$ us 100 and 135.</p>	
<p>23/10/09</p>	<p>The Government and the directors of the Federation of Municipal Associations (FAM) yesterday reached a preliminary agreement with a view to achieving a solution to the conflict that arose around the reduction of income from the Direct Tax on Hydrocarbons (IDH) and Tax Coparticipation. At the national level, the Government foresees for 2010 a decrease of Bs. 1,382 million in the transfer to the municipalities. The Minister of Economy and Finance, Luis Arce, said that this is a reduction of only 5% in IDH resources and 14% in tax sharing, and stressed that there is, however, a replacement of Bs. 200 million, a situation that left relative tranquility in the municipal authorities who met with the head of the economic cabinet of President Evo Morales. Regarding the budget ceiling for next year, he said that there is nothing to do because the distribution of IDH resources is subject to the prices of a barrel of oil in the international market, which fell in relation to previous administrations.</p>	

Table 5 Direct tax on hydrocarbons and its effects in the country

Analysis of the creation and changes of the Direct Tax on Hydrocarbons, by years. Year 2005.

With decree No. 28421 during the presidency of Eduardo Rodríguez Veltze in article 53 of Law No. 3058 of May 17, 2005 - Hydrocarbons Law, the direct tax on hydrocarbons - IDH is created, which is applied to the controlled production of Petroleum, Natural Gas and liquefied petroleum gas from plants (LPG), measured at the control point in its first stage of commercialization.

In article 57 of the hydrocarbons law, it establishes that the beneficiaries of the resources received from IDH will allocate this income to the sectors of education, health, roads, productive development and everything that contributes to the generation of sources of employment.

With this supreme decree, a decentralization process begins, with the transfer of greater resources and responsibilities at the departmental and municipal level, in addition, the control mechanisms applicable to the use and destination of the resources from the IDH are clearly established.

Regarding the distribution of the resources of the amount collected in cash by the IDH, it was established that it will be distributed according to the following detail:

Departments

12.5% of the total amount collected in cash, in favor of the Hydrocarbon Producing Departments, distributed according to their audited departmental production. 31.25% of the total amount collected in cash, in favor of the Departments not Producing hydrocarbons, at a rate of 6.25% for each one.

These resources are credited to an “IDH –Departmental” account for their automatic transfer to the accounts of the Departmental Prefectures, Municipalities and Public Universities, according to the following distribution:

34.48% for the total of the Municipalities of the Department, which will be distributed among the beneficiaries according to the number of inhabitants of their municipal jurisdiction, established in the current census, and 8.62% for the Public University of the Department. In the case of Departments that have two or more public universities, the distribution percentages will be determined through regulations agreed between the Ministry of Finance, the Ministry of Education, the Executive Committee of the Bolivian University - CEUB and the beneficiary Public Universities, respecting the financial limit assigned to each Department.

The balance of the previous percentages for the Prefecture of the Department.

General Treasury of the Nation - TGN

The balance of the total amount collected in cash by the IDH once the amounts of the previous paragraph have been deducted, will be allocated in favor of the General Treasury of the Nation - TGN, resources that will be distributed as follows:

5% of total IDH collections, an amount that will be deducted from the balance corresponding to the TGN, destined to a Compensatory Fund for the Municipalities and Universities of the Departments of La Paz, Santa Cruz and Cochabamba that, due to having a larger population, receive lower income in relation to the Municipalities and Universities of the other Departments.

5% of the total IDH collections, an amount that will be deducted from the balance corresponding to the TGN, which will be assigned to a Development Fund for Indigenous and Native Peoples and Peasant Communities.

An amount granted through an annual budget allocation to: The Armed Forces of the Nation, and The Bolivian National Police.

5% for the Internal Aid Fund for National Development destined to the massification of the use of Natural Gas in the country, a percentage that will be applied on the balance of the distribution and allocation of resources to all the beneficiaries indicated above.

Year 2006

Supreme Decree of Nationalization

During the presidency of Evo Morales Ayma, on May 1, 2006, the Executive Power approved Supreme Decree No. 28701 "Héroes del Chaco" or "Nationalization of Hydrocarbons", the main changes that this new norm introduces, within the participation of the State in the exploration and exploitation areas, in this legal norm the following concepts are introduced, in terms of state participation: It establishes a participation, for the fields whose average certified production of natural gas in 2005 has been higher than the 100 million cubic feet per day, (San Alberto and Sábalo fields), production will be distributed as follows: 82% for the State (18% royalties and participations, 32% Direct Tax on Hydrocarbons IDH, 32 % through an additional participation for YPFB) and 18% for companies (covering operating costs, amortization of investments and profits). Thus having a greater State Participation, on the gross production of hydrocarbons. Those courses that do not fall into the previous classification must not pay this additional 32% participation.

With this decree, the necessary actions are "nationalized" for YPFB to take control of 50% + 1 of the capitalized and privatized companies, For the control and direction of the production, transportation, refining, storage, distribution, commercialization and industrialization of hydrocarbons in the country.

Year 2007

On October 24, 2007, the D.S. 29322 for the redistribution of the Direct Hydrocarbons Tax (IDH), modifying the allocation percentages of said tax, applied by the S.D. 28421 October 2005.

For many, the issuance of this supreme decree has its origin in the financial insufficiency for the payment of the solidarity bond (Bonosol).

The objective of Supreme Decree 29322 is to transfer prefectural resources to the municipal governments to finance the Bonosol first and the Renta Dignidad later.

This caused a great rejection by the prefectures and civic committees, which called a series of assemblies and declared an emergency. On the other hand, in November 2007, five of the nine prefectures of the country determined not to present the POA 2008 to the Ministry of Finance, in rejection of the new distribution of the resources of the IDH that instructs the DS 29322. In view of this measure, the Government stated that the prefectures that do not present their POA would receive the same amount of resources as the 2007 management, but based on the expenditure they made.

On the other hand, to comply with this decree, the social actors related to MÁS began a march towards Peace to demand the approval of the dignity income from the Senate. That would then be approved on November 18, 2007, the Chamber of Deputies approved the bill that defines the General Budget of the nation PGN 2008 and sent it to the Senate without observations.

In addition, Supreme Decree No. 29272 of September 12, 2007, approves the General Economic and Social Development Plan of the Republic called "National Development Plan: Dignified, Sovereign, Productive and Democratic Bolivia for Living Well - Strategic Guidelines".

The Plan establishes the design of a new productive matrix to rationalize public investment with equity in the process of distribution of resources, in order to deepen the decentralization process and promote local productive development.

It is established that the distribution of IDH resources established in Supreme Decree No. 28421, is not framed in the strategic guidelines established in the National Development Plan, so it is necessary to establish a new distribution of state resources that allows actors local, greater participation in economic development.

Therefore, the distribution percentages of the Direct Tax on Hydrocarbons for the Prefectures, Municipalities and Universities are modified, according to the following composition:

66.99% for the total of the Municipalities of the Department, which will be distributed among the beneficiaries according to the number of inhabitants of their municipal jurisdiction, established in the current national population and housing census.

8.62% for the Public University of the Department. In the case of Departments that have two or more public universities, the distribution percentages will be determined through regulations agreed between the Ministry of Finance, the Ministry of Education, the Executive Committee of the Bolivian University - CEUB and the beneficiary Public Universities, respecting the financial limit assigned to each Department.

The balance of the previous percentages for the Prefecture of the Department.

	Previous	New
Instance	D.S. 28421	D.S. 29322
Prefectures	56.90%	24.39%
Municipalities	34.48%	66.99%
Universities	8.62%	8.62%

Table 6

This Supreme Decree came into effect only as of January 1, 2008.

The amounts resulting from these new percentages assigned, the Prefectures and Municipalities of the country will contribute 30% for the financing of the "Renta Dignidad", payment that will be made from January 2008.

Year 2008

It should be noted that in 2008, of the three major sectors (minerals, hydrocarbons and non-traditional), the Hydrocarbons sector is the one that grew at the fastest rate, that is, by 54.62% and the fabulous international prices of the Gas increase the income from the Direct Tax on Hydrocarbons (IDH).

In this context and in order to calculate the effects for the country's municipalities, the distribution of the HDI is shown according to Law No. 3058 for management 2008, according to the calculations of the value of hydrocarbon production for management:

Production	% of Participation	Value
Cochabamba	13,1%	2.281,0
Chuquisaca	5,4%	934,0
Santa Cruz	16,2%	2.833,0
Tarija	65,4%	11.405,0
Total	100%	17.453,0
HDI	32%	5.585,0
Producing Departments		
Cochabamba	4%	91,2
Chuquisaca	4%	37,4
Santa Cruz	4%	113,3
Tarija	4%	456,2
Total (A)		698,1
Non-Producing Departments		
La Paz	2%	349,1
Oruro	2%	349,1
Potosí	2%	349,1
Beni	2%	349,1
Pando	2%	349,1
Total (B)		1.745,3
Regional Leveling		
Cochabamba		257,8
Chuquisaca		311,7
Santa Cruz		235,7
Total Nivelación (C)		805,3
Total Regional HDI (A) + (B) + (C)		3.248,7
Municipalities - Universities Compensation Fund (TGN)		
Cochabamba		79,6
Peace		206,5
Santa Cruz		160,9
Total Compensation		447,0
Indigenous Fund		279,0
Balance (TGN)		1.610,3

Table 7 Distribution of the direct tax on hydrocarbons - law 3058 2008 budget (In millions of Bolivians)
Source: Ministry of Finance

It should also be noted, apart from tax collection, in 2008 the national tax service won five contentious - tax proceedings and consequently three oil companies had to pay 306.4 million Bolivianos to the State, (Transredes SA, Maxus SA and Chaco SA) increased in this way the resources of the General Treasury of the Nation.

These legal proceedings against the oil companies are related to irregularities in the payment of the Corporate Income Tax, Transaction Tax, for the sale of liquefied petroleum gas, undue tax credit and others, in addition to the corresponding sanctions.

Year 2005	Year 2006	Year 2007	Year 2008	Year 2009
2.328.114.807	5.497.171.483	5.954.389.757	6.643.519.828	6.465.159.945

Table 8 Collection of the direct tax on hydrocarbons 2005 – 2009

Source: Own elaboration based on SIN data. Annex: Graphic 2

In 2005 Bs. 2,328,114,807 were collected, this tax becomes one of the most important income for the general treasury of the nation (TGN), this year, despite having been created in the middle of the management becoming the second tax with the highest collection after Value Added Tax (VAT on imports).

For the year 2006, the collection of this tax grew by 136% compared to the year 2005, mainly because in 2005 this tax came into effect in the middle of the year, the income from this tax in 2006 was Bs. 5,497,171,483, which made it by far the one that contributed the most to the General Treasury of the Nation (TGN)

In 2007 Bs. 5,954,389,757 were collected, which means an increase of Bs. 457,218,274 compared to 2006, this is mainly due to the fact that this year the price of a barrel of oil began to rise.

In 2008 Bs. 6,643,519,828 were collected, higher collection since the creation of the tax, this again is due to the spectacular prices of hydrocarbons at the international level.

For the following year, the collection was Bs. 6,465,159,945, this amount was decreased due to the fall in international prices of a barrel of oil.

Now we will focus on the Value Added Tax (VAT) regarding carriers

Date	Detail	Law or decree
17/12/2005	Through a Supreme Decree they changed the tax regime for interdepartmental carriers, having to issue invoices to all passengers.	DS 28522
20/12/2005	The drivers of interdepartmental transport warned with the closure of all the country's terminals for this Thursday, if the Government does not annul Decree 28522 that imposes the issuance of invoices.	
23/12/2005	The transport strike is lifted after an agreement with the Government, freezing the obligation to issue invoices until April 2006	

29/03/2006	Decree is issued which suspends VAT to heavy cargo road carriers	Law 3249 DS 28656
29/03/2006	The Government seeks dialogue with interdepartmental carriers so that they issue an invoice, since the 248 fleets only pay 14,878 Bs, when in reality they should pay 19 million Bolivianos per year and be part of the General Regime.	
30/03/2006	The Bolivian Drivers Confederation confirmed a strike for April 4, while the Government ratifies that from May 1, fleet owners must begin issuing invoices.	
03/04/2006	Conflicts: Cardinal Julio Terrazas asks the transporters "not to entrench themselves", while the Government will try today to avoid the unemployment of the drivers.	
04/04/2006	The Confederación Sindical de chóferes de Bolivia ratified that today it will stop throughout the country against the decision of the Government, which ordered the issuance of invoices for the payment of VAT for interdepartmental transport and the Government announced a strong hand for transport entrepreneurs who do not want to issue invoices.	
05/04/2006	After the forceful strike with road blockade carried out yesterday, fleet trips are suspended and the Government does not back down. The Armed Forces and the Police announced that they will protect the free transit through the country's roads.	
06/04/2006	Through the Superintendency of Transportation the Government wants to regulate passages after passing for the "floteros". The drivers gave the Executive Branch until next Tuesday, when a national extension will define new forms of pressure. On the other hand, the National Tax Service SIN, reported that the 177 fleet companies that are registered in the Integrated Tax System SIT will automatically go to the General Regime and from May 1 they will have to issue invoices, otherwise, they will be closed.	
07/04/2006	The drivers accept rate regulation if they raise the tickets and They also want the issuance of invoices to be for owners of two or more buses.	
07/04/2006	From May 2, those who do not issue an invoice for the tickets sold will not be able to undertake a trip, for this the Traffic Operational Unit will carry out a strict control	
14/04/2006	Yesterday the staff of the National Tax Service trained and informed the carriers about the change of regime to which they must register.	
18/04/2006	The Government and the transporters formed a working commission. The drivers accept the taxation of those who have more than two fleets and the Government will analyze each one of the specifications of this sector.	
28/04/2006	The negotiation between the Government and the carriers broke down yesterday. The drivers left the meeting annoyed and announced that they will not issue invoices, while the Executive Branch warned that it will apply the law against those who do not comply with tax obligations.	

29/04/2006	National Tax will begin on May 1 with two operations at bus terminals, demanding that interdepartmental and international transport companies issue invoices to passengers; this work will be carried out in coordination with the National Police.	
02/05/2006	The drivers have paralyzed activities since yesterday, confirming that they will not issue invoices for their service and the Government says that it will not give in its decision that interdepartmental transport companies must bill and pay taxes.	
03/05/2006	The SIN threatens closures and criminal trials, and the drivers respond to this with the announcement of other measures. Carriers will meet on Friday in Cochabamba and could declare a 48-hour strike nationwide	
04/05/2006	Fleet drivers started a hunger strike against the fleet owners, who did not give in. The end of the monopoly is announced but the national strike continues. For On the other hand, the Government convened again yesterday the bus owners to resume the dialogue to overcome the conflict.	
06/05/2006	Carriers declare a 48-hour strike due to weakness in their protest and did not rule out radicalizing the pressure measures with an indefinite strike. The SIN reported that as of yesterday afternoon, 24 transport companies they registered in the General Regime and issue invoices to passengers.	
07/05/2006	After almost a week of the withdrawal of the buses by order of the owners, the sector is surrounded by the lack of repercussion of the suspension of trips, the appearance of new companies registered in the General Regime, free transportation that agreed to issue invoices, the unchecking of some of its partners and salaried drivers who announced the creation of a new federation	
11/05/2006	Confederate carriers failed to agree on define the date of the national strike of 48 hours and declared an interim room in its extended until today, when they will meet again in the morning hours	
13/05/2006	The strike of the "floteros" falls, reaching into question the national transport strike, on the other hand, the Government intervened the bus terminals.	
17/05/2006	Thanks to the fact that both sectors gave in their positions to resume the dialogue, today the final agreement will be signed with which the drivers will lift the strike and agree to issue invoices.	
03/05/2007	The carriers of the heavy sector will block today the exits and entrances of the cities demanding the annulment of DS 28988 that transfers from the simplified regime to the general regime to this sector.	DS 28988

04/05/2007	Today the blockade is growing in five regions of the country, in addition to that the interruption of the exits from the cities will be extended today to the streets, achieving that the sector measures are radicalized.	
05/05/2007	After two days of blockade at the entrances to different cities and After having damaged the normal development of several activities, heavy transport suspended its pressure measures after agreeing with the Government to extend the discharges for the cancellation of VAT.	

Table 9 Value added tax (VAT), transaction tax (I.T.), billing and their effect on transportation

Source: *Correo del Sur newspaper from 2004 to 2009*

Analysis of the changes in the Value Added Tax and its effects in the different fields of its application.

In order to expand the number of taxpayers and collect higher taxes for the country, within the framework of the provisions of Supreme Decree No. 28522 of December 17, 2005 and Supreme Decree No. 28585 of January 17, 2006, they changed their tax regime for taxable persons who carry out interdepartmental and / or international transportation of passengers and cargo, that is, they are changed from the Integrated Tax System (STI) to the general regime, consequently they are obliged to issue invoices authorized by the National Tax Service, as of May 1, 2006.

Supreme Decree No. 28988 of December 29, 2006, determines a new form of liquidation and payment of the Tax on Business Profits - IUE, for those natural persons who provide interdepartmental transportation services of passengers or cargo, affiliated or not to union lines and have more than two motor vehicles registered in their name.

It is established that natural persons and union lines must pay annually per motor vehicle an amount of Bs2,500. - (Two Thousand Five Hundred 00/100 Bolivianos) for the concept of Tax on Business Profits - IUE.

These decrees that oblige them to issue invoices, once known, caused the interdepartmental transport drivers to begin a series of measures such as the strike and the closure of all the country's terminals.

After a series of negotiations with the government at the end of March 2006, they managed to get a decree to be issued suspending VAT on heavy cargo road carriers.

And on these same dates the Government seeks dialogue with interdepartmental and / or international carriers so that they issue invoices, since the 248 fleets that operated at that time only paid 14,878 Bs., When in reality they should pay 18 million Bolivianos per year and form part of the general regime.

At the beginning of April 2006, the Bolivian drivers' union confederation continued to ratify a series of strikes, contrary to the government's decision, which ordered a heavy hand for transport entrepreneurs who do not want to issue invoices.

On the other hand, the National Tax Service reported that the 177 fleet companies that were registered in the integrated system, will automatically pass to the general regime, so that from May 1 they begin to issue invoices, otherwise, they will be closed, from From this, the drivers accept the rate regulation but with the condition of increasing the tickets and also asked that the issuance of invoices be for owners of two or more buses. The Integrated Tax System, according to the current regulation, should only cover natural persons who own a maximum of two vehicles.

Until May 5, there were 24 transport companies that signed up to the general regime and began to issue invoices to passengers.

After the registration of new companies in the general regime, the unchecking of some of its partners and the salaried drivers who announced the creation of a new federation, caused the strike of the "floteros" to weaken and fall, reaching into doubt the national transport strike, on the other hand the Government intervened the bus terminals.

On May 13, thanks to the fact that both sectors gave up their positions to return to dialogue, the final agreement was signed with which the drivers lifted the strike and agreed to issue invoices. Between May and November 2006, the interdepartmental passenger and cargo transportation companies contributed 9.7 million Bolivianos to the treasury for the Value Added Tax (VAT) and the Transaction Tax (IT).

This collection was due to the work carried out by the National Tax Service, which continuously reported that inspection officials and / or National Tax notaries at any time made surprise visits to interdepartmental transport companies to verify compliance with the issuance of bills.

In the May-November period, Cochabamba was the city where the highest collection of this sector was registered with an amount of Bs 4.9 million bolivianos, this due to the fact that a large number of transport companies have their fiscal domicile in said district.

Date	Detail	Law or decree
20/03/2006	Mining businessmen reject proposal to exclude VAT refund. The Economic Development Commission of the Chamber of Deputies will present today to the plenary chamber a proposal to exclude the refund of VAT and the tariff charge for hydrocarbons, metals and minerals. The miners announce that this measure will cause many companies to stop investing in the country	
24/05/2006	The tripartite commission of the Government, the federations and cooperatives signed the final agreement by which they agree that the ICM Mining Supplementary Tax does not undergo changes in its structure, due to its ability to keep mining operations alive at different times. The central argument is that the current ICM gives continuity to operations in periods of low prices and provides income in favor of the departments in periods of low and intermediate prices and be highly collector in scenarios of high prices.	
25/05/2006	The Government is willing to guarantee tax stability to companies that carry out activities in the mining sector, as long as they accept the cancellation of an additional 5% to the Tax on the profits of IUE companies.	Código de Minería actualizado

29/01/2007	The miners and cooperative members are categorically opposed to the Government's intention. Cooperative members begin today "The mother of battles" against the National Government in order to stop the announced increase in the Complementary Tax on Mining ICM	
29/01/2007	President Evo Morales defended on Sunday his Government's proposal to increase the ICM under the logic with which it conducted the process of nationalization of hydrocarbons. The Government's proposal to modify this Tax is in the draft Law that establishes the cancellation of the accreditation between the ICM and the tax on company profits, which according to the authorities favored medium and large companies.	
23/06/2008	After nine days of mobilization with the fence and subsequent taking of institutions, miners await the Government under the threat of more mobilizations to regularize the collection of the Value Added Tax VAT.	

Table 10 Value added tax (VAT) and its effects on mining
Source: Correo del Sur newspaper from 2004 to 2009

Taxes are not only instruments to improve tax revenues, but they can also be restrictive and control elements of resources, both renewable and non-renewable.

The SIN, through transitory projects, provides Bolivian citizens with lessons and controls on the payment of taxes, below it is shown how the group of notaries (officials hired by the SIN) achieve controversies and effects on taxpayers and society itself.

Date	Detail	Law or decree
09/10/2005	Notaries are under pressure, since the control of the issuance of invoices is a difficult task. Between August and September, they closed 506 commercial establishments and made 692 offenders pay a fine for the amount omitted in La Paz.	Art. 170 of the Tax Code
17/12/2005	Thanks to the work of the notaries, the National Tax Service It raised more taxes, and it also helped many businesses extend the invoice before the customer requests it, thus creating a tax awareness.	
27/12/2005	The notaries travel through Bolivia and at any time they can arrive at the different cities. The first results of the execution of the program are satisfactory, the reason for the public conscience of issuing and demanding invoices is increasingly conscious.	
28/12/2005	The National Tax Service, through the Fedatarios project, intervened more than 1,500 businesses for not issuing invoices. Of all of them, 80% chose to take advantage of the convertibility benefit, which consists of paying ten times the value of the omitted invoice, and the rest of the businesses were closed. In four months on the national scale, 3,500 interventions will be reached.	
01/01/2006	They discover forms of evasion in the special regimes. Carriers and union members use the "fraud mechanism" to avoid paying taxes or issuing invoices. People with six vehicles in public service, register two in their name and the other four in the name of siblings and relatives. The economic plan of President Evo Morales indicates that to correct distortions in the payment of taxes, new scales of operating capital and categories of special regimes will be established, under the principle of productive capacity.	Subparagraph d) of Article 8 of the CPE
30/01/2006	Following the results of last year, the SIN plans to reinforce control of notaries. Two national projects constitute the challenges that the SIN administration must execute and accompany in the 2006 management. Among them, the strengthening of the control of notaries in the invoice mission stands out, whose work managed to increase collections last year.	
07/02/2006	The Federation of Microentrepreneurs, taxpayers of the general regime He requested the suspension of the actions of the notaries and gave a period of 180 days to the Government and the Legislative Power to carry out a study of taxpayers, whose purpose will be to expand the universe of contributors.	

11/02/2006	Yesterday morning, the Federation of Contributing Microentrepreneurs of the The General Regime carried out a march through the streets, which ended with the blockade of them. The protesters demanded that the notaries stop operating, accused them of inducing the owners and managers of commercial establishments to commit the crime of not issuing invoices.	
17/04/2006	The work of notaries raises tax collections. Last month, the District of Sucre received 1.6 million bolivianos more than February and, from January to March, that index increased by 25%.	
15/12/2006	In less than three hours, the notaries intervened 132 businesses and closed 55 shops in the city of Sucre. Those affected came out in protest and called for a march today against these officials of the National Tax Service.	
20/12/2006	The SIN denies agreement with microentrepreneurs and maintains sanctions. The management The SIN assured that the notaries at no time reached an agreement with the microentrepreneurs to annul the acts of infringement of the businesses that were closed, a few days ago. This statement arises after the president of the Federation of Microentrepreneurs of Chuquisaca, Martha Gómez, reported on an agreement with the National Supervision Management and the Regional Management of the SIN, in which it was agreed to nullify the closing acts and, at the same time, immediately open economic activities.	
05/09/2007	In National Taxes they detect that farmers are taxed as "boys". The federation of cattle ranchers of Santa Cruz Fegasacruz assured that each member must answer for the fulfillment of their obligations and urged the Treasury to find out the alleged suspicions of irregularities	
27/09/2007	The notaries are in Sucre and yesterday they closed nine businesses after a certain operative against those who resist issuing fiscal notes for each sale made.	

Table 11 Projects and policies of the sin to avoid evasion and increase tax collections

Source: *Correo del Sur newspaper from 2004 to 2009*

An important phenomenon in our economy is the degree of existing tax evasion, which makes it impossible to achieve higher tax revenues, in addition to generating a competitiveness gap between the taxable and non-taxable sectors.

The evasion phenomenon responds to a series of factors³: the extensive informal sector that exists in our country, whose size varies from year to year, which makes individuals more reluctant to contribute resources to the treasury; and, despite important advances, the shortcomings that still exist in the tax administration, adding to the lack of education and little tax awareness.

In turn, the size of the informal sector responds to the following three aspects:

- The tax burden.
- Labor market regulations.
- The efficiency of the public sector.

Many times the tax burden is high, representing taxes as an obstacle to undertake formal activities.

Analysis of economic events generated in Bolivia during the 2005-2009 administration Inflation

MONTH	2005	2006	2007	2008	2009
Jan.	1,37	0,40	1,43	1,09	0,36
Feb.	0,05	0,31	0,83	2,62	-0,07
Sea.	0,16	-0,28	0,30	0,97	-0,49
Apr.	-0,38	0,14	-0,26	0,74	-0,43
May.	0,67	0,84	0,45	1,87	-0,18
Jun.	1,54	0,62	0,85	1,26	0,20
Jul.	-0,46	0,56	2,68	0,46	-0,20
Aug.	0,35	0,19	1,59	0,65	0,62
Sep.	0,15	0,08	0,19	0,88	0,11
Oct.	0,37	0,47	1,25	0,18	0,32
Nov.	0,44	0,75	1,23	0,13	-0,19
Dec.	0,56	0,75	0,63	0,43	0,23
PROM. ANNUAL	5,40	4,28	8,70	14,01	3,35
ACCUMULATED	4,91	4,95	11,73	11,85	0,26

Table 12 Annual and monthly inflation 2005-2009
Source: Own elaboration based on data from the National Institute of Statistics (INE) Annex Graphic 3

2005

Inflation in 2005 had a rise of 0.28 points in relation to 2004, this figure is one of the highest registered since 1997, registering a higher index in June with 1.54%, followed by January with 1.37%.

3 Larraín B, Felipe, Fiscal Policy and the Role of the State in Latin America., 2001. Page 15.

The highest index this year, in June, was due to social conflicts and blockades that ended with the resignation of President Mesa; Of the figure of 1.54 points, 0.92 percentage points were due to the increase in prices of the products most sensitive to blockages; 0.54 percentage points due to price increases in Agricultural Products and 0.38 percentage points due to increases in Prepared Foods.

2006

The inflation rate for the last 12 months was 4.95%, that is, 0.04 percentage points more than that observed until the end of 2005. It can be noted that this figure is within the band established as a goal by the Bank. Central Bolivia, between 3% and 5%.

The highest index was the month of May with 0.84%. The prices of the food and beverage group showed the greatest increase, even exceeding the inflation rate. Likewise, both the accumulated inflation of tradable goods up to November 2006 and that of the last 12 months, 4.8% and 5.5%, respectively, exceeded that of non-tradable goods, 3.7% and 4.2%.

Although inflation was higher than in 2005, inflation could be controlled with the contribution of savings generated by families and the Government itself.

Internal economic activity this year was more dynamic, in line with the recovery in aggregate demand. While the progressive increase in growth observed up to 2005 was based on the increased activity of the hydrocarbon sector, in the first half of this year the contribution of mining, agriculture and manufacturing was fundamental.

2007

Although inflation of 3.7% had been forecast for this year, but the data obtained in July was 2.68% and in August at 6%, then Bolivia closed 2007 with an inflation of 11.73%, triple that predicted at the beginning of the administration by the government of President Evo Morales, according to the official report released by the National Institute of Statistics (INE). The last time that Bolivia registered such a high rate was in 1991, when it reached 14.5%.

One of the causes for this high inflation rate was the increase in salaries and public spending, this year there was also a large increase in the country's income due to the volume of remittances from abroad and the income of working capital from the Venezuelan cooperation, which generated a greater availability of cash in the Bolivian economy. In addition, to these must be added the consequent rise in prices, an effect of the El Niño phenomenon, which in early 2007 produced floods in much of the country, causing losses in agricultural and livestock production; which at the end of the year were aggravated by the La Niña phenomenon, which produced droughts in other producing regions.

To all this would be added the surplus in the fiscal accounts, due to a higher tax burden applied to oil companies, since 2005, and to the increase in export prices of natural gas to Brazil and Argentina, which have resulted in a higher inflow of resources, but without a correlate in terms of investment and diversification of the economy, but rather an increase in current spending, which directly affects inflation.

The Government and the BCB took measures to control the money supply and lower the prices of some basic products, among these measures they had the approval of two decrees to allow the importation with zero tariff of various essential items and restrict grain exports and beef, products that had the greatest impact on the inflationary index in October. In addition, it began to execute a plan to directly supply beef to the markets, even so these measures did not manage to reverse the trends, and the accumulated inflation to November reached 11.02%, the third highest inflation in Latin America and the Caribbean after Venezuela and Nicaragua (ECLAC)

2008

The Central Bank of Bolivia had set an inflation rate of 12% for 2008, a rate close to that of 11.85% this year.

Inflation reached its maximum peak in June when it reached 17.3%, but in the second semester the policies implemented by the Government had an impact on its gradual decline until reaching 11.8 percent in December.

This high inflation rates is mainly due to the increase in food prices due to various reasons, for example this year there were effects caused by the weather phenomenon "La Niña, which caused several floods in the eastern part of the country. Another important cause was the continuous social problems that the country went through, (blockades, strikes) that affected the normal transit of food from one department to another.

2009

For this year, an economic slowdown was expected that would result in a decrease in this index to 9.5%, this due to the global financial crisis that was already bringing its consequences to the country since 2008 and for this, some provisions were made to avoid greater impacts.

Bolivia had a lower economic growth this year due to causes such as the decrease in foreign trade, (decrease in exports, world economic crisis, drop in international prices of our export products). These events had a consequence in the country's inflation, which had a very sudden decrease, since between the months of February to May there was negative inflation (March -0.49%), this due to the drop in prices of food and non-alcoholic beverages, The prices that fell the most are those of chicken meat and potatoes. On the contrary, the prices that rose were those of tomato, cheese, transportation and housing rent.

In addition, for this year some monetary policies were implemented by the BCB to counteract the high inflation in the country, for example, food security programs and the fight against speculation implemented by the Executive Branch; and monetary regulation policies and exchange appreciation applied by the BCB before the international crisis affects the region.

The contraction of liquidity, which constitutes an unprecedented effort in recent decades to expand the sale of securities, including to the general public, reduced internal inflationary pressures, but at the same time implied a temporary increase in the internal debt of the BCB.

The exchange rate appreciation made it possible to attenuate imported inflation. In addition, the BCB emphasized the use of the Housing Development Unit (UFV) as an instrument that, by protecting against price variations, boosted savings in a context of inflation (monetary, exchange and financial stability, the Bank's contribution Central Bolivia 2006 AND 2009)

External and internal debt

Bolivia does not generate enough income to finance its expenses; therefore, it permanently resorts to debt to cover the fiscal deficit, so it will be important to design a strategy:

In the case of external financing, the country must access grants and concessional external credits, and avoid, as far as possible, expensive credits with creditors such as CAF.

About internal debt, take immediate measures to relieve TGN of the burden of spending on pensions.

Greater generation of tax revenue, through a tax reform that implies expanding the tax universe, reducing evasion, creating a wealth tax, in addition to restricting subsidies only to the poorest.

	2005	2006	2007	2008	2009
Total Public Debt	7113,2	5915	5787	6459,4	8366
Internal Public Debt	2172,4	2675	3645	4237,5	5528
Participation%	30,5%	45,2%	63,0%	65,6%	66,1%
External Public Debt	4940,8	3240	2142	2221,9	2838
Participation%	69,5%	54,8%	37,0%	34,4%	33,9%

Table 13 Variation in public debt 2005-2009 (in millions of dollars)

Source: Own elaboration based on BCB data. Graphical Annex 4

2005

The increase in total public debt is explained by the increase of 223.2 million dollars in 2004.

The nominal values of the total public debt represents 75% of GDP this year, but due to concessionality and the relief that was obtained under the HIPC initiative, the net present value of this debt represents 46.4% of GDP and public debt 23.5% of it externally.

Bolivia is a HIPC country that has external debt with the International Monetary Fund and the World Bank. The first represents 4.9% and the second 33.7% of the balance of the external debt as of December 31, 2005.

In 2005, the bill for the payment of the internal and external debt exceeded the health and education budget since the Government allocated less than 1,000 million dollars for this, since Bolivia had to pay 1,036 million dollars in this management, this amount also exceeded the total public investment which was 650 million dollars.

Another parameter that explains the weight of the public debt service is that, in 2005, it represented 34% of tax revenues and 11% of Gross Domestic Product (GDP).

2006

This year, Bolivia benefited from debt relief programs, such as the forgiveness and rescheduling that was given to HIPC (Highly Indebted Poor Countries) countries that have debts with the International Monetary Fund, the World Bank and the African Development Bank.

Even so, total debt remained high, due to the increase in new external and internal credits contracted by the Government.

It should also be taken into account that the increase in the internal public debt meant a growth of 15% of the total debt, the main cause for this is the issuance of securities placed in the domestic market and TGN bonds placed in the AFPs. 65% of the payment corresponded to the internal debt and the remaining 35% to the external debt. This growth in debt service is due to:

External debt: To contracts under non-concessional conditions (expensive debt), with high interest rates and relatively short maturity terms, as is the case of the Andean Development Corporation (CAF), whose debt service represented, in 2005, almost half of the total paid by external debt.

Internal debt: To the issuance of General Treasury Bonds (TGN) placed in the AFPs to finance the deficit caused by the Pension Reform.

2007

The country's external debt was considerably reduced this year, due to the cancellation.

The external debt is destined to finance programs and projects of the public sector, such as road infrastructure, and it is the General Treasury of the Nation that assumes the payment of this debt in 82% of the total.

Bolivia's main creditor is the Andean Development Corporation (CAF) with 39%, then the Inter-American Development Bank (IDB) 21%, the World Bank (WB) with 12%, Brazil and Spain each with 6%, Venezuela 3% and 13% other creditors. The Monetary Fund does not appear on this list, as the country did not have an outstanding current account.

On the other hand, the internal debt had an increase of almost 900 million dollars, of which 77% correspond to Open Market Operations (treasury bills) and the other 33% to credits obtained from the AFPs, this generated a greater availability of resources to the Central Government.

According to a Jubilee study, this increase was a measure used to avoid higher inflation; Due to the greater availability of resources, consumption had an increase and this resulted in the rise in prices, so the Central Bank of Bolivia issued more Treasury Bills, a measure to withdraw money from circulation.

The other factor for this increase was the resources that the General Treasury of the Nation (TGN) lends itself from the Pension Fund Administrators (AFP), to pay the income of the retirees of the previous system.

2008

According to the report of the Central Bank of Bolivia, the first two months of 2008, the internal debt had a surprising growth of 4,210 million dollars, this growing debt that the State has with the AFPs (debt of 1,584 million dollars, with an interest above 8%) and with national banks and private entities it was due to the fact that they bought public titles and securities (debt of 1,686 million dollars, and they were paid an interest that oscillated between 13%).

Contrary to the external debt, the internal one has a forced payment, the interests are higher and there is no kind of forgiveness for it, so it is the one that puts the Bolivian economy in more fragile situations.

This colossal growth of the internal public debt generates a strong pressure on the national public finances. According to the calculations of the Jubileo Foundation, every day, on average, the Bolivian State spends almost two and a half million dollars to pay the capital and the high interests of this debt.

It is estimated that for 2008 the payment of the internal debt was more than 700 million dollars, the same number of resources that the Government uses to cover the basic needs of the population with the construction of roads, schools, hospitals, basic water services. and other vital needs for the population.

In the case of external debt, this also had an increase, although to a lesser extent than the internal one; New loans were contracted that exceeded 1,200 million dollars, of which bilateral credits are almost 55% and the other 45% are from multilateral financial sources. The three main sources were: CAF, WB and IDB.

Of these, the Andean Development Corporation (AF) has the largest participation with 39% of the total; Bolivia's second largest bilateral creditor was the Inter-American Development Bank (IDB) with 19%. The World Bank (WB) ranked third as Bolivia's lender with 12%.

The largest bilateral creditor of Bolivia was Venezuela with 9% of the national total, with an amount of 226.5 million dollars. Then there is Brazil with 5% which is equal to 114 million.

The credits of Spain correspond to 4% of the total external debt, with US \$ 106.5 million. The People's Republic of China 3%, equal to 79.5 million. Bolivia owes Germany 56.5 million dollars, Korea 17.2 million, France 10.1 million and Italy 9.9 million. Of the total funds disbursed, US \$ 408 million, the Bolivian Highway Administration received the highest amount, US \$ 169.7 million, corresponding to 41%. The Ministry of Finance continues with US \$ 105.9 million, that is, 25.9%.

The total public debt, according to the Central Bank of Bolivia, is equivalent to all of Bolivia's international reserves or seven years of public investment; This means that in per capita terms, each Bolivian, including children, has a debt of 650 dollars, 430 for domestic creditors and 220 for international organizations and other countries.

2009

The Central Bank of Bolivia showed data on the amount of the internal debt of the non-financial public sector (NFPS) is 2,986 million dollars and that of the internal debt of the BCB of 2,542 million dollars.

The BCB considers it necessary to differentiate the debt of the non-financial public sector from the debt of the BCB. The first is debt that the government generally contracts to finance current spending or public investment. Its increase in the last two years was around 400 million dollars, mainly to finance the cost of the Pension Reform.

The debt originates from open market operations for monetary regulation purposes with the purpose of controlling inflation and this debt has had a very significant growth in the country's economy, since the Government is the main debt owed to society Bolivian. It is almost antagonistic that this year we had many international reserves, but our debt is higher every day.

Balance of trade

RESUMEN DE BALANZA DE PAGOS (En millones de dólares)							
	Millones de dólares					Variación %	
	2005	2006	2007	2008	2009*	2008	2009p
Cuenta corriente	622	1.318	1.591	2.015	809	26,6	-59,8
Bienes, servicios y renta	39	495	325	731	-404	124,8	-195,3
Balanza comercial de bienes	407	1050	1004	1467	470	46,2	-67,9
Balanza comercial de servicios	-42	-188	-189	-200	-209	-5,9	-4,4
Renta neta	-276	-397	-489	-526	-665	-9,6	-24,1
Transferencias unilaterales ctes.	584	822	1206	1284	1213	1,4	-9,9
Ocasionales	307	294	229	195	195	-14,6	-0,3
Privadas	277	528	1028	1059	1088	-4,9	-3,5
Cuenta capital y financiera	204	303	472	378	133	-19,8	-64,8
Transferencias de capital	9	1813	1390	90	33	-99,2	242,3
Inversión directa	-291	279	362	560	418	49,1	-17,6
Inversión de cartera	-153	25	-30	-186	-186	-595,9	10,5
Otro capital	-639	-1813	-1041	69	-132	106,6	-291,9
Errores y omisiones	-323	-185	-111	-19	-405	82,6	-2.008,9
SALDO EN BALANZA DE PAGO	504	1.516	1.952	2.374	537	21,6	-77,4

FUENTE: elaboración propia en base a cifras del Banco Central de Bolivia.
p. preliminar.

Table 14

2005

It should be noted that our exports had an increase in value, since in reality our country benefited from the increase in the prices of many of our export products such as hydrocarbons, minerals and other goods.

On the other hand, CIF imports of goods increased 26% in 2005 (458 million dollars more than in 2004), having experienced increases in the three most important categories: consumer goods (22.3 percent), intermediate (28 , 2) and capital (18.5 percent). This situation was the result of the implementation of some important mining projects and the recovery of internal economic activity.

In relation to trade flows by economic zones, there was an increase in the surplus in the commercial relationship between Bolivia and Mercosur from 59.2 million to 359.7 million dollars, due to higher hydrocarbon exports to Argentina and Brazil.

With the Andean Community, the positive trade balance decreased by \$ 95.8 million, mainly due to lower soybean exports to Peru and Venezuela, which were not offset by sales to Colombia, as well as the increase in imports from Peru and Venezuela. In the case of the latter country, due to higher imports of diesel.

In this way, as a result of the observed surplus balances, a significant gain in International Reserves was recorded, both from the BCB and from the banks of the system.

2006

In 2006 our balance of payments tripled the figure of 2005, this result is mainly due to the great increase that was registered in our trade balance, since our exports reached 3.785 million dollars, almost double that of 2005, this is due to that the main export products of the country are hydrocarbons, Minerals and manufacturing industry.

The main products that explained this positive variation in 2006 were minerals such as zinc (with a growth of 172.69%), silver (84.76% growth), Natural gas (53.86% growth) and Fuels (Oil) 7.63%.

In addition, export agreements with countries such as Japan, Argentina and Brazil had great growth, these three countries accounted for 57% of total exports.

Similarly, exports to EU countries grew by 40.08%, to the Southern Common Market by 37.71% and to the Andean Community by 29.02%.

On the other hand, Bolivian imports reached US \$ 2,820 million in 2006, an amount higher by US \$ 476 million, which would mean an increase of 20.34% compared to 2005. This behavior was mainly due to growth in the import of Transport Equipment, Parts and Accessories 38.39%.

Another important cause for this surplus was the change in taxation of the hydrocarbon sector. In fiscal policy, the higher income from tax changes in the hydrocarbon sector and the efficiency in collections allowed an estimated benefit of 5% of GDP at the end of this year.

2007

In 2007, the balance of payments returned to have a surplus, this is historical since it represented more than 11% of GDP, this due to the increase in income from interest received from international reserves; during the analyzed period they amount to 208.7 million dollars. The export of minerals, and of soybeans and their derivatives contributed positively to the balance of payments, thanks to the increase in prices, since the volumes of exports of both fell.

This fiscal result and the liquidity in foreign currency attributed to the behavior of the export sector and to fiscal, monetary and exchange measures, allowed a significant accumulation of the net international reserves of the BCB.

Furthermore, this improvement was due to the higher income from the migration of foreign companies to the new hydrocarbon contracts that provided Bolivia with a higher gas rent (about 9.7% of GDP). Although other government revenues have also grown. The growth of current spending has slowed, including increases in wages and salaries (although there has been a rise in the private minimum wage of 5%)

2008

The current account registered a surplus of 1,591 million dollars, this result was mainly due to the increase in exports and remittances from emigrants and lower income account outflows.

Exports of FOB goods had a growth of 50.1%, these were mainly driven by higher external sales of minerals 70%, hydrocarbons 51.8%, increases in the value of all minerals were registered, highlighting silver, lead, tin and zinc.

Regarding hydrocarbons, natural gas sales registered an increase of 60.8%, in addition to that the average price of all hydrocarbons increased as a result of the upward trend in the price of oil.

There was also an increase in net private unilateral transfers due to the 8.1% increase in emigrant remittances, which reached 794 million dollars.

2009

The Current Account presented a surplus of 809 million dollars, which is also lower than 2008 by -59.8%, the Trade Balance of Goods also presented a surplus, but that of services presented a deficit, as well as the net income. Official unilateral transfers remained constant and private transfers (remittances) decreased by a small magnitude, in the latter case a strong decrease was expected due to the fall in the income of Bolivians abroad, however, the decrease was only - 6.5%, noting that the sending of remittances to Bolivia has a weak association with the world economic situation.

In the case of exports, these have been declining since the end of 2008, due to the deterioration in world economic activity, to rebound slightly between June and July 2009, but then fell again.

It is necessary to note again that the export of manufactures has decreased since September 2009, this is important because it is the sector that generates the most employment in the country.

Since Bolivia is an exporter of raw materials for the most part (75% and 25% of manufacturers), changes in international prices of raw materials strongly affected our exports and thus the country's economy, making the economy vulnerable. Bolivian economy to the world economic situation and economic cycles.

Imports also fell, although not in the same proportion as exports, and this caused the trade balance surplus to decline, but not to the point of registering a deficit.

The most imported products are Raw Materials and intermediate products, followed in importance by the import of Capital Goods and then Consumer Goods.

It is necessary to highlight that of the total imports 50.7% are Raw Materials and Intermediate Products, and another 27.6% are Capital Goods, mostly these are destined for industry, and only 20.3% are Consumer Goods. These figures would make us think that there is a good level of industrial development in Bolivia, but is this deduction correct? We leave it as a pending issue for future updates and for discussion among our readers.

Net international reserves of the central bank of Bolivia

	AI 31- Dec -05	AI 31- Dec -06	AI 31- Dec -07	AI 31- Dec -08	AI 31- Dec - 2009
Dollar reserves	1249,7	2561,2	4499,1	6870,6	5868,3
Reservations Euros	0	0	0	0	1439,7
Gold Reserves	471,6	579,8	759,9	802,6	1000,8
SDR reserves	38,2	40,2	42,3	42,3	258,5
TOTAL RESERVATIONS	1759,5	3181,2	5301,3	7715,5	8567,3

Table 15 Structure of coin funds

Source: Own elaboration based on data from the Central Bank of Bolivia. Graphic Annex N ° 6

International reserves have had a surprising growth since 2005, rising from 1.8 billion dollars to reach more than 8 billion at the end of 2009, making Bolivia have more reserves than China, this allowed our country to have some benefits against the world recession.

For low- and middle-income countries, the level of international reserves may restrict the possibilities of using countercyclical policies, compared to countries that have strong currencies, such as the United States and Japan.

The potential problem for most developing countries is that they can run into a shortage of foreign exchange when imports grow with the economy, and while exports and foreign capital inflows fall. Many of the countries that have turned to the International Monetary Fund for loans during the current global recession have had these problems. The accumulation of reserves in recent years has given Bolivia a form of "insurance."

International reserves have been growing since 2005, when they reached more than 1.7 billion bolivianos, and by 2009 the reserves grew by around 80% (6807.8 million bolivianos more) compared to the first year of study. These results make Bolivia reflect greater solvency outside the country.

This great growth in international reserves was due to the great boom in international mineral prices and the large exports of hydrocarbons that took place in the country under the current Government. Fiscal policy and macroeconomic stability must also be taken into account, through price leveling, optimization of public spending, supported by income from resources generated in the SIN, the Bolivian National Customs and taxes. derived from the sale of gas.

However, there are costs associated with maintaining reserves. The real returns on reserves, much of which are in the form of US treasury securities, are very low, and can even be negative, while these resources can generate higher returns if investments were made within the country.

Also, the Bolivian government, fearing the potential inflationary impact of reserve accumulation, has sterilized the impact of reserves by issuing bonds in national currency in recent years. This contributed to the growth of the country's public debt (see below), and the interest rate on these bonds has been high, sometimes reaching more than 10 percent. Furthermore, most of these reserves are placed in assets denominated in dollars, so they lose value when the dollar falls.

We can also compare Bolivia with other countries with a similar exchange rate regime (crawling or "crawling peg"). The average for these countries, according to the IMF, is 41% of monetary aggregates.

So, Bolivia has more than twice what a country has in a similar situation. If we compare it with countries that have fixed exchange rates, Bolivia still has double that of the rest of these countries. We can also take into account that the Bolivian economy is more dollarized than other countries, which would imply a higher risk and a sudden increase in the demand for foreign exchange. But even when this is not taken into account, there is still an excessively large amount of foreign reserves, probably more than \$ 2 billion.

The accumulation of excessive foreign reserves represents part of Bolivia's development challenge, which is to convert the recently acquired trade surplus, based mainly on hydrocarbons and other mineral exports, into investments that can increase productivity as well as employment levels.

Although in 2008 international reserves closed with a figure close to 8,000 million dollars, it is expected that for the next few years this figure will decrease because it is time for that money to be used by the Government.

Public investment

SOURCE	2005		2006		2007		2008		2009	
	Exec.	Part. %	Exec.	Part. %	Exec.(*)	Part. %	Exec.(*)	Part. %	Exec.(*)	Part. %
Means Internal	195491	37.2%	445498	62.4%	550370	68.6%	710760	68.34%	717768	71.24%
FDN	9248	1.8%	2200	0.3%	12000	1.5%	5590	5.4%	92107	7.20%
FDN Pages	3468	0.7%	1820	0.3%	2428	0.3%	5548	5.4%	6661	0.66%
Monetary	2433	0.5%	6541	0.9%	3092	0.5%	7050	6.9%	5517	5.4%
Compensation	1214	0.2%	793	0.1%	2403	0.3%	1365	1.3%	10230	1.02%
Others	8914	1.7%	12920	1.8%	13155	1.6%	1365	1.3%	10230	1.02%
Government	10940	2.1%	15530	2.2%	9876	1.2%	3684	3.6%	9944	0.99%
Means External	548278	10.4%	704677	9.9%	858335	10.7%	129649	12.63%	13493	13.45%
FDN	4055	0.8%	13150	1.9%	24143	3.0%	18944	18.9%	1621	16.2%
FDN share	64220	12.2%	139730	19.9%	136898	17.0%	14984	14.9%	169668	16.9%
Direct Imp.	29435	5.6%	1882	0.3%	25626	3.2%	12082	11.7%	140966	14.0%
Hydrocarbons Royalties	252	0.0%	2520	0.4%	39	0.0%	8318	8.1%	2122	2.1%
FDN	330564	62.8%	266237	37.6%	251748	31.4%	225166	22.5%	285493	28.6%
Others	269491	49.5%	186178	26.1%	179089	22.2%	228599	22.6%	180068	17.9%
Means External	57316	10.9%	72174	10.1%	62872	7.8%	8327	8.1%	94258	9.4%
FDN	1216	0.0%	1078	0.0%	1078	0.0%	1316	1.3%	1101	1.1%
FDN share	2291	0.0%	710	0.0%	80217	100.0%	10299	100.0%	100263	100.0%
FDNAL (SISB)	62918	12.0%	87960	12.4%	105041	13.2%	13122	12.8%	143940	14.4%
FDNAL-IDI	517940	9.8%	519604	7.4%	543169	6.8%	82938	8.1%	849511	8.5%

Table 16 Sources of Public Investment (in thousands of Bolivians)

Source: Own elaboration based on data from the General Directorate of Public Investment. Graphic Annex N ° 7

2005

The public investment carried out this year was 5,259,970 thousand Bolivians, whose sources were Internal Resources (36%) and with External Resources (64%), it can be seen that in the budget the Direct Tax on Hydrocarbons (IDH), but as this was implemented in May 2005, public investment could be executed at 1.5% with this income.

It can also be observed that one of the most representative income for investment was the loans that the country contracted for this year, with a participation in the executed investment of 49.5%. Another important factor for this amount was the oil royalties, which represented 12.2% of the total invested.

2006

In 2006, public investment increased by 1,881,315 thousand Bolivians External Resources represented 37.6% of the executed investment, since Internal Resources had a considerable increase due to the fact that the Direct Tax on Hydrocarbons had a high percentage share (24%), like the royalties that the country received this year, it can also be seen that the income from credits decreased to represent 26.1% of the investment executed.

2007

The public investment executed this year was 8,023,178 thousand Bolivians, this figure had its source in Internal Resources (68.6%) and External Resources (31.4%), the HDI represented 31.7% of all public investment, for This reason can be seen in the large increase in internal resources, causing external loans to have a slight contraction (22.2%)

2008

For 2008, there was an investment of 10,269,268 thousand bolivianos, the highest registered in these five years studied, with a participation of 17.91% of the HDI, lower than in previous years, since the value of this resource decreased by almost 50% compared to 2007, however a notable increase in own resources can be seen (11.77%)

2009

This year the investment carried out had a slight decrease, as we can see the participation of the IDH is still important, but in a lower proportion than the royalties that the country received for hydrocarbons.

Fiscal accounts

Relative to GDP					
Management	2005	2006	2007	2008	2009
Surplus or deficit	-5,5%	4,5%	1,7%	3,2%	0,6%

Table 17 Result of fiscal accounts

Source: own elaboration based on data from the Ministry of Economy and Public Finance. Anexo graphic 8

2005

Bolivia ended 2004 with a programmed deficit of 6% with a 5.5% deficit confirmed. The following year there was a deficit of 1.6% of GDP, due to the great fiscal performance of the management.

The fiscal deficit programmed at the beginning of the year amounted to 5.2% of GDP, 0.3% lower than the deficit executed in 2004, which reached 5.5%; However, a significant reduction in the deficit was achieved due to the implementation of policies aimed at improving collections and containing public spending.

An important factor in reducing the fiscal deficit was the enactment of the new hydrocarbons law, which introduced the direct tax on hydrocarbons (IDH) as of June, generating an increase in collections of around 2.07% of GDP. The fiscal result of the 2005 management is historically the lowest registered in the last 15 years.

Collections from internal income were higher by 1.6% of GDP compared to what was programmed, due to greater efficiency in collections, the continuity of the Financial Transaction Tax (ITF) and the implementation of the notary program.

Additionally, at the beginning of the year, an increase in the rates of the Special Tax on Hydrocarbons (IEHD) was determined, which allowed higher collections for this concept.

Public expenditures, on the other hand, were executed under austerity criteria, managing to maintain the programmed levels both in personal services and in goods and services. However, total current spending was higher than expected, mainly due to the increase in the subsidy for imported diesel oil and Liquefied Petroleum Gas (LPG), caused by high international oil prices.

The behavior of spending on public investment during the administration was higher than the programmed levels, mainly serving road projects and social and productive infrastructure, executed by subnational governments because they received greater resources from co-participation and the new Direct Tax on Hydrocarbons (HDI).

2006

In 2006 there was a fiscal surplus of 4.5%; after more than three decades of fiscal deficit that reached a peak of 8.8% of Gross Domestic Product (GDP) in 2002 and fell to 1.6% in 2005. A report given by the Government for this year, revealed that the increase of 46% in the collections of internal taxes and of 25% in customs taxes -in the period between January and August compared to the same months of 2005- was accompanied for a growth of 4.52 % of GDP.

Exports, which rose to a historical record of \$ 2.7 billion in 2005, driven by gas sales to Argentina and Brazil, reached at least \$ 3.5 billion this year, highlighting the parallel growth in international reserves and bank deposits, and to a great extent the Taxes related to the country's hydrocarbons.

2007

2007 had a fiscal surplus of less than 1.7%, for the second consecutive year this result was due to the high income generated and the validity of the austerity plan proposed by the Government. The surplus achieved in this administration reversed the projection of a fiscal deficit of 3.4 percent that was foreseen in the 2007 General Budget of the Nation.

The elimination of reserved expenses also made it possible to achieve the surplus, as it affects significant savings in the national economy. For 2008, a fiscal deficit of the order of 4.1 percent was foreseen, due to the increase in the Public Investment budget, which reached 1.3 billion dollars.

2008

In 2008 a deficit of 4.1% was programmed, but a 3.2% fiscal surplus was registered. Good economic results were achieved this year, such as the solid performance of hydrocarbon and mineral exports "which in the past administration recorded important figures that influenced the growth of Bolivia's Gross Domestic Product (GDP), this current account surplus and the large level reached by international reserves. The balance of the combined public sector remained in surplus, thanks to the continuous increase in income from exports.

The currency strengthened, which contributed to a further reduction in deposit dollarization.

For IMF directors, the risks that "could cloud Bolivia's prospects" would originate in the deterioration of the global economic environment, generated by the international financial crisis that began in September in the United States and which tends to spread to the rest of the globe, affecting mainly at the price of raw materials. The decline in energy and mineral prices and the expected reduction in remittances could slow down GDP growth and generate deficits in the external and fiscal current accounts.

To face this situation, the main economic policy challenges for the National Government this year will be to maintain "a solid external and fiscal position, consolidate the decrease in inflation observed in recent months and reduce the high levels of poverty, through increased investment."

In this sense, the Government projected a General Budget of the Nation 2009 (PGN) with a macroeconomic scenario that foresees the impact of the international economic crisis.

Likewise, there is satisfaction with the fiscal strategy of the Bolivian authorities, referring to reductions in capital spending of low priority while maintaining social spending. To reduce dependence on volatile export earnings and guarantee the intergenerational distribution of hydrocarbon wealth, IMF executives pointed to the need to reduce the fiscal deficit excluding hydrocarbons, in the medium term.

IMF directors encouraged national authorities to take advantage of falling oil prices to gradually reduce hydrocarbon subsidies, while using a portion of the resulting tax savings to protect vulnerable groups.

2009

According to the report from the Bolivian Ministry of Economy and Finance, it closed, for the fourth consecutive year, with a fiscal surplus programmed at 0.6% of Gross Domestic Product (GDP) despite the global financial crisis. Although after 3 consecutive years of surplus, thanks to increased income, economic growth for this year was lower than in previous years.

The economic growth projected for this year was around 5%, less than 6.15% in 2008. The Central Bank of Bolivia already anticipated a decrease in economic growth of around 5% in 2009 and the return of the fiscal deficit in three percent of the Gross Domestic Product (GDP) after three administrations of having registered a surplus because of the high income to the country.

The Central Bank of Bolivia explained that the fiscal deficit is a consequence of the adverse external environment, translated into lower prices for export products, a decrease in family remittances and lower income for the public sector. The global economic crisis since October last year began to affect the real sector of the economy, resulting in a general decline in commodity prices.

The non-financial public sector, between 2006 and 2008, registered a fiscal surplus, the previous management reached 3.2 percent of GDP, mainly the result of the income from the sale of hydrocarbons and the good prices of minerals; furthermore, according to the BCB, due to higher domestic income collections and moderate current spending, which contributed to reducing inflationary pressures through the accumulation of deposits in that entity.

For the analyst Alberto Bonadona, having a fiscal deficit again was to be expected, because all the savings that were achieved until 2008 had to be used to pay the bonds granted by the Government, Dignidad, Juancito Pinto and the recently created, Madre -Little boy.

"Having a fiscal surplus has been a particular situation that has allowed us to have large exports, extraordinary international reserves ... a three percent deficit is relative and minimal in relation to what the economic crisis is going to be."

The behavior of production in the hydrocarbons sector is conditioned by the levels of investment and the volume exported to Brazil and Argentina. Data from the National Institute of Statistics (INE) show that natural gas exports fell by 205 million dollars in the first quarter of this year, which represents a decrease of 27 percent and is a consequence of the reduction in the volume sent to Brazil and falling prices.

Correlation between economic events and changes in taxes as an instrument of economic policy from 2005 to 2009

Inflation and its relationship with taxes

Inflation in the 2005 period did not have a close relationship with taxes, since these remained almost constant, since 2000, since the figures varied between 8,000 and 11,000 million Bolivianos⁴, this because at that time there were no With the largest contributor being the HDI, in addition, at that time there was no more exact control of consumption taxes (VAT) as had the years of study. By 2005, it can be seen that inflation has risen since this year, which coincides with the creation of the Direct Tax on Hydrocarbons, and the implementation of the Tax on Financial Transactions. Doing an analysis of the relationship between inflation and taxes, we can say that these have a direct relationship, that is, the increase in taxes makes inflation in the country also grow, we can ensure this fact based on the following points:

As of 2006, after the creation of the bonds created by the Government "Juancito Pinto", "Bono Dignidad", "Juana Azurduy", financed precisely by the Direct Tax on Hydrocarbons, inflation had a noticeable increase in 2007 Since these bonds were a direct injection of money by the Government into the national economy, that is, they had a large amount of money from hydrocarbons, which the people could have at a time of high food shortage and manufacturing, since this money was for consumption and in a small percentage to the increase in production.

3 Vice Ministry of Tax Policy and National Tax Service (SIN) and National Customs of Bolivia (ANB).

Another cause for the rise in inflation indirectly, but importantly, was the creation of the transport tax, since in some way the carriers, to recover the cost of the tax, raised the prices of their services and this rise had its consequences in the rise of the food and merchandise they transported.

The years of study, it was possible to see a greater control by the SIN (National Tax Service), a positive development for the State, but consumers suffered the effect of it, the products began to rise in price.

The creation of the ITF, at a time when the country's economy was impacted by the boom in remittances from those who emigrated to different countries such as Spain or Argentina, meant that the money that people received will stay more in their pockets to consumption expenses than for savings in the bank, if they were charged a tax for each transaction they made (and we can talk about large sums of money), it was preferable for people to save their money or use it, and since they had a greater amount of cash when production had not grown at the same rate, in many cases it forced the prices of the products demanded to rise.

In summary, it can be concluded that taxes had a very clear impact on inflation in these years.

Public debt and its relationship with taxes

The conclusion we reached with this research is the following:

Taxes came to affect inflation through large injections of money into the country's economy and to remedy this fact, the Central Government used an economic policy that consisted of the sale of bonds to the domestic market, despite the condonations of the external public debt that greatly decreased the total debt, the internal public debt increased by more than 100% from 2005 to 2009 (2,172.4 to 5,528 million dollars).

Another cause for this excessive increase in public debt is the poor distribution of tax revenues, which did not have a productive purpose, but rather consumption, and also did not serve to cover the internal debt that the Government had with the people.

The trade balance and its relationship with taxes

In this case, the trade balance had its effect on taxes (HDI), since we saw that the great increase in exports occurred mainly due to the sale of our hydrocarbons and minerals, in addition to the large increase in their prices, which made our income from HDI to have its peak in the last two years of study (6,644 and 6,465 million bolivianos in 2008 and 2009 respectively).

Another point that we can mention is that the increase in exports in the periods examined also increased the collection of the transaction tax because it must be remembered that when exporting, the remuneration they make us for payment is in dollars, and that These amounts are in large sums that must necessarily be deposited in financial institutions and this is where this tax (ITF) is levied.

International booking and its relationship with taxes

The increase in international reserves had among its origins in the increase of exports and remittances that arrived in the country from Bolivian citizens abroad. These have a direct relationship with the Tax on Financial Transactions.

Public investment and taxes

As can be seen in graph No. 7 in Annexes, the percentage share of the Direct Tax on Hydrocarbons in the execution of public investment at the different levels of the State was of great importance. In 2005 it only had a participation of 1.5% of the total investment, but for 2006 this contribution grew suddenly to 24.4%, having its largest contribution in 2007 with 31.7% of the total investment, with these figures you can see clearly the great dependence that the country has on non-renewable resources such as hydrocarbons.

Tax accounts and their relationship with taxes

During the years of study, it can be observed that the changes generated in taxes had a direct effect on the country's economy, having their greatest impact on fiscal accounts, that after more than 15 years of having had a fiscal deficit, the results that can be seen since 2006 are positive, this due to the creation of a series of already known taxes, such as the ITF, IDH and the change of regime to carriers. All these economic events studied were closely related to the taxes that experienced their greatest boom in the years studied, and that contributed greatly to the economic changes registered in the country, highlighting that the most influential taxes of all were the IDH, ITF and VAT.

Conclusions

One of the basic objectives of the tax system is to generate tax revenues to finance public expenditures and investments, without causing an increase in public debt or inflation.

In the present investigation, after having carried out all the studies to be able to verify or discard our hypothesis, we began with "a historical analysis of the changes generated in fiscal policy in the 2005 to 2009 administration", it is also important to remember that 2004, Bolivia was experiencing a very difficult situation in the economic field, an example of this is the successive fiscal deficits that the country dragged year after year.

This situation forced the Government of President Carlos D. Mesa, who at that time enjoyed great popularity among society, to propose fiscal measures to get ahead of this situation, and it was observed that one of these measures was the creation of the Tax Transactions (ITF), which came into effect on July 1, 2004, was created initially to cover the fiscal deficit at that time; It can be said that the ITF was successful as a means of tax collection and this led to its validity being extended in 2006, explicitly stating that the objective now was to reduce the dollarization of deposits.

In 2005, by decree No. 2842, in the Hydrocarbons Law article 53 of the law No. 3058 of May 17, 2005, during the presidency of Eduardo Rodríguez Veltze, the direct tax on hydrocarbons - IDH was created. , becoming one of the taxes with the highest collection for the State, despite having been created in mid-2005 this was the second tax with the most contribution this year, closing the management with a collection of Bs. 2,328,114,807, only below the VAT on imports, since then this tax has undoubtedly become the one that contributes the most to the coffers of the General Treasury of the Nation. Another of the measures or changes in fiscal policy with the purpose of expanding the number of taxpayers and collecting higher taxes for the country, occurred with Supreme Decree No. 28522 of December 17, 2005 and Supreme Decree No. 28585 of December 17, 2005. January 2006, which establishes the change of tax regime for taxpayers who carry out interdepartmental and / or international transportation of passengers and cargo, that is, they are changed from the Integrated Tax System (STI) to the general regime, in Consequently, they are obliged to issue invoices authorized by the National Tax Service, as of May 1, 2006.

With all these antecedents we began to determine the correlation between economic events and changes in fiscal policy in the 2005 to 2009 administrations and we can affirm that since 2004, with the creation of the ITF, after the IDH and the change to the general regime to carriers, it was possible for the country to considerably increase its income from taxes, which in the end, part of these resources, were used to cover the fiscal deficit of that time and it should be remembered that precisely since 2006, When these taxes came into force and there was a massive collection of resources, fiscal surpluses began to be registered in the country, that is, the income in the country was greater than the expenses made. One aspect that greatly helped the existence of fiscal surplus was that in these years a large amount of resources were transferred to the different levels of the State such as prefectures and municipalities, which although they increased public investment of Bs. 5,259.970 in 2005 to Bs. 10,032,633 in 2010, it did not increase in the same proportion as the transferred resources, that is, there was no adequate budget execution and thus it can be seen that the resources were not.

They used them in their entirety, part of these remained in savings in the banks, with this great increase in investment and with the assistance policies of the Government, such as the granting of the Juancito Pinto Bonus, the Juana Azurduy Bonus and the Renta Dignidad; They caused an increase in inflation to be registered since 2005, which had its highest record in 2007 and 2008 with accumulated inflation of 11.73% and 11.85% respectively.

Another very important point to note is that the public debt, since 2005 had a decrease, but this was due in large part to the reduction of the external public debt, as a result of the cancellation that foreign countries made to ours, which in 2005 it represented 69.5% (4,940.8 million bolivianos) of the total debt, in 2009 it represented 33.9% (2,838 million bolivianos), on the other hand it is important to note that the internal public debt had an increase Considerable, which in 2005 represented 30.5% and in 2009 represents 66.1%, that is to say today, although it is not due much to foreign countries, the debt with Bolivian citizens has doubled, it can be said that this increase is the product of the monetary policies that the Government carried out to reduce inflation, which began to affect our country, for which reason government bonds were sold to collect liquidity from the economy.

Regarding the trade balance, it can be said that exports have risen since 2005, with 2006 having an increase of approximately 112% compared to the previous year and in 2007 and 2008 the highest number of exports was recorded that are related to the collection of taxes, this is precisely because hydrocarbons were exported and these are taxed by the IDH, in addition, exports also had a direct relationship with international reserves that rose from 1,759.6 million dollars in 2005 to 8,567.3 million dollars in the year 2009.

In summary, it can be said that our hypothesis "Taxes as instruments of economic policy in Bolivia in the years 2005 to 2009 have been used mainly as a tool to cover the fiscal deficit." It is verified, based on the data obtained and the analyzes carried out in this research.

Recommendations

Finally, it can be said that although taxes are very useful and necessary in a country, there are taxes such as the ITF that affect to a great extent and mainly the national company that carries out multiple deposit and funds transfer transactions, from the beginning of the productive cycle until the final commercialization of its products, increasing the cost of capital use, industrial competitiveness is also affected compared to imported products, since it increases the cost of deposits and the intermediation margin.

To combat the economic recession in which we Bolivians live, taxes must be reduced, not increased. Various economic models say that increasing taxes ends up contracting the economy. This is due to the fact that by increasing taxes, families' ability to save and spending decreases, so that aggregate demand decreases, this generates unemployment and is a chain effect that ends up contracting a country's economy. On the other hand, to combat the recession, taxes such as the ITF that make the use of capital more expensive should not be applied, rather an adequate monetary policy based on lowering interest rates should be applied, through the central bank that can inject resources into the banks at low lending rates. The money supply must be increased, at prices accessible to more people.

Other measures should be sought to increase state revenues, for example much more would be collected by just formalizing large smuggling companies camouflaged in the informal sector, or by providing the SIN with resources and technology to facilitate its work to detect evasions. , collection, inspection and collection.

Finally, we can say that today a large part of the surplus that the country has is basically due to large tax collections that instead of taking advantage of them in the.

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