

as an adequate framework for traditional vein mining, it was felt that several modifications were required.

The two most significant elements in the new Code concern taxation and access to previously restricted territories. The new system applies to all new mining ventures, while allowing established operations to use the former approach until 1999, if desired. A tax of 25% is levied on profits, as determined by standard accounting procedures. In addition, a 2.5 % "anticipo" (advance payment) is levied on the value of all onward sales of mineral product. The total of "anticipos" paid is applied against the tax owing on profits. If the balance of tax owing on profits minus the anticipos paid is positive, the difference must be paid to the revenue collecting authority. If it is negative, the difference may be brought forward as a fiscal credit in succeeding years.

In addition to the indicated taxes, a 13% V.A.T. applies to transactions involving mineral commodities. This tax is refundable in the form of a fiscal credit at the point of export. Under the new rules, reinvested profits are exempt from taxation as an incentive to productive expansion.

Formerly, foreign investors were not allowed to participate in mining activity within 50 kilometers of the international borders. The new code lifts this restriction (except in the case of investors from the neighboring states). Foreigners must, however, operate in partnership with Bolivian principals in these zones.

At the time of preparation of this report, the Secretary of Mines has submitted the draft of some amendments to the New Mining Code approved in 1991. The revised Code will include, if approved, important chapters on taxation stability, land claiming procedures and environmental aspects.

6.4 Environmental aspects:

The mining sector is Bolivia's largest foreign currency earner and, as such, plays a crucial role in the nation's well being. In the not so distant past, attention was focused on extracting ore from the ground as quickly as possible, with scant regard for human or environmental costs. Progress has been made in reducing the former, but only recently attention has been focused on the latter.

Because of the severe problems of contamination existing in most mining operations, with the extreme cases of Oruro and Potosí, and led by the greater environmental awareness arisen by the higher standards imposed by the major international firms starting to operate in Bolivia, the Secretary of Mines has included in the draft of the New Mining Code under consideration, a chapter entitled "Environmental Impact Assessment and Control of Environmental Quality".

Under the proposal set out in the draft document, control of environmental permitting will be affected by a three tier system, with regulatory authorities at