

The Commonwealth Association of Tax Administrators



cata
Newsletter

**27th CATA Annual Technical Conference/Workshop 2006 and Tenth General Meeting (GM) 2006
Management Committee Meeting, Mauritius (August) 2006
Advancing Management Potential (AMP) 2006 Commonwealth Tax Inspectors Course (CTIC) 2006
Commonwealth Management Development Programme (CMDP) 2006
Taxation of International Transactions (TOIT) 2006**

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Editorial

Taxation of self employment sector

Generally speaking, self employment taxpayers account for the majority of all businesses. Typical features of self employed business include mostly family owned operations either run as sole proprietorships or partnerships, usually between uncles, aunts, nephews, etc. especially in developing countries. A significant number such businesses are operated from homes and may or may not have external business premises. Few will have employees recruited on well documented "arms length" terms and conditions. Many employ under age or migrant workers on below minimum wages and without proper records or other verification possibilities. There are sharp disparities in the standards of living and essential infrastructure in most developing countries causing large scale and unorganized urbanization of populations. Most such migrants usually end up in either direct involvement in self employment activity or underpaid employment in small family businesses.

Some such businesses do not report cash income because of poor record keeping, while others use this pretext to deliberately understate cash income or overstate cash expenses in the belief that tax authorities cannot trace cash dealings. Therefore because of the very nature of self employment activity, the major problem areas for taxation of the self employed are non-compliance, poor record keeping, predominantly cash transactions, barter trading in certain sectors and lack of physical presence in many cases. The more commonly used sectors for such activity are property and business services; building and construction work and primary production. Hardly any freelance builder will accept payment other than in cash and those making such payments find the arrangement convenient in concealing their own expenses incurred mostly from tax avoided incomes.

While traditional approaches for taxing the self employed remain as valid as ever, the most potent new tool at the disposal of tax authorities is the opportunities provided by modern information

technology. For example, automated comparisons of the amounts reported in a taxpayer's return with representative economic benchmarks for similar taxpayers in the same industry are very effective in detecting instances of the under reporting of income and/or over claiming of expenses. It has always been accepted that data matching is essential in identifying cases of tax fraud but manual procedures adopted in the past for collection of information and subsequent collation have generally produced results and output well below expectations in addition to a disproportionate allocation of human resource on such activity. Manual procedures are naturally more time consuming and by the time important information was generally compiled and circulated for necessary action, a large percentage of self employed taxpayers often moved on, both in terms of their businesses and contactable addresses.

Information technology has immensely aided in the successful implementation of one key element of the anti tax avoidance and evasion strategy, namely, the introduction of a single identification number for each taxpayer at national levels. That is now the strong foundation upon which data bases are constructed. Data matching has proved very effective in detecting non compliance. Major obstacles in the past included coordinating the activities of tax administrations in distant regions within countries as well as with other governmental revenues and relevant non-revenue agencies such as the police or federal investigation agencies. Cross referencing information in taxpayer returns with information held by other government agencies helps to identify several new businesses that fail to meet their tax obligations or under report economic activity. For instance, matching banking transactions in various bank accounts with information at the disposal of tax authorities is very effective in identifying businesses that either omit incomes or use false names to dilute and disguise income to avoid tax.

Usually implementation of infrastructure and urban development projects lead to the demand for labour and services, especially in road construction and associated manufacturing sector. This sudden demand for implementation resources leads to the migration of workers into the activated sectors. Ironically, accelerated economic development programmes and sustained high economic growth rates as well as periods of economic lows tend to generate proportionately more self employment for different reasons. In the event of economic acceleration, self employed businesses emerge,

often in unorganised fashion such as the influx of migrant workers to meet the increasing demand or the emergence of cheap indigenous production of supplementary raw materials, goods and services, while during hard times people out of income and livelihoods tend to take up any activity at any place that they can. The result in both cases for tax authorities is tracking down moving targets.

In most of the developing countries, the economy is largely cash based. In such an environment, it is not only easy but also safe to conceal a lot of transactions. Taxpayers react to their perceptions about the reach and effectiveness of tax administrations. The conventional general perception was that it is reasonably safe to take a chance with tax authorities. They were deemed unlikely to be able to detect evasion and even if evasion was accidentally detected, it was felt possible to manipulate official records either through organisational inefficiency or corrupt practices. The development of computerised databases with centralized controls has taken away to a very large extent the ability of tax evaders to tamper with official records as well as possibilities of abuse of official records by departmental staff.

Development of automated systems and comprehensive data bases in tax administrations is therefore the key to effective taxation of the self employed. However, it is vitally important not to get carried away with the overpowering role of automation. Systems are an aid to human resource, not a substitute for it. There are several examples of organisations, both in public and private sectors where this misconception has lead to the destruction of staff morale and consequently caused severe set backs in efficiency and effectiveness. Staff morale, loyalty and pride of association with an organisation are as important in achieving organisational objectives as the use of any innovative tools that add value and effectiveness to operations. After all, automated processes are controlled and managed by human beings and an unmotivated or dissatisfied work force can cancel out the benefits of automation. The secret for success lies in finding the right balance.

Visit the CATA Website
<http://www.cata-tax.org>
for more information

Twenty-Seventh CATA Annual Technical Conference/Workshop and Tenth General Meeting 2006

The Tenth General Meeting and Twenty-Seventh Annual Technical Conference/Workshop of CATA were held on 13th August and from 14 to 18 August 2006, respectively, in Port Louis, Mauritius. The conference was inaugurated by the Honourable Rama Sithanen, Vice Prime Minister and Minister for Finance of Mauritius and was attended by a record number of 113 delegates representing 29 member countries, special guests from China, Japan, Thailand and Zanzibar as well as representatives of international organisations like GTZ and SADC. All delegates were of the view that the quality of technical presentations was of a very high standard and provided useful information to participants.

Elections for the posts of various offices of CATA were held during the 10th General Meeting held on Sunday 13 August 2006. The outcome of the elections was as follows:

President: Mrs. Sabina Walcott-Denny (Barbados)

Chairman: Mr. Mustapha Mosafeer (Mauritius)

Vice Chairman: Mr John McGinley (United Kingdom)

The following countries were selected to appoint Regional Directors of CATA for the next triennium:

Region	Appointee
Asian Region:	Mrs. Farida Amjad (Pakistan)
Canada & Caribbean Region:	To be notified (Trinidad & Tobago)
European Region:	Mr Carmel Conti (Malta)
Northern African Region:	Mr Chris N Onyegbule (Nigeria)
Southern African Region:	To be notified (Lesotho)
Pacific Region:	Ms Pam Mitchell (Australia)

Management Committee Meeting, Mauritius (August) 2006

The first meeting of the new Management Committee elected at the 10th General Meeting took place on 18

August 2006 in Port Louis, Mauritius. The following members were elected to serve on the Management Committee for the next 3 years:

1. Australia
2. Cameroon
3. Canada
4. India
5. Lesotho
6. Malaysia
7. Malawi
8. Malta
9. Mauritius
10. New Zealand
11. Nigeria
12. Pakistan
13. Trinidad & Tobago
14. United Kingdom

Advancing Management Potential (AMP) 2006

The Advancing Management Potential training programme for senior tax officials commenced in Lawress Hall, Lincoln, United Kingdom on 31 July 2006. The names of the participants who are attending this year's course are as follows:

1. Mrs Olufunlola Adediran (Nigeria)
2. Mr Samuel Danquah Arkhurst (Ghana)
3. Mr Muhammad Asif (Pakistan)
4. Mr Bandara (Sri Lanka)
5. Mr Ahmed Aliyara Ibrahim (Nigeria)
6. Mr Raphael Kabogo (Tanzania)
7. Mrs Fareena Mazhar (Pakistan)
8. Mrs Drocella Mukashyaka (Rwanda)
9. Mr Luvanda Ngoloka (Tanzania)
10. Mr Alfred Twumasi Ntiamoah (Ghana)
11. Mr Kingsley Ikechi Okengwu (Nigeria)
12. Mr Caleb Olabode (Nigeria)
13. Mr Muhammad Riaz (Pakistan)
14. Ms Queensley Seghosime (Nigeria)
15. Mr Jackson Serudodo (Rwanda)

Commonwealth Tax Inspectors Course (CTIC) 2006

The Commonwealth Tax Inspectors Course commenced concurrently at Lawress Hall, Lincoln, United Kingdom on 31 July 2006. The names of the participants who are attending this year's course are as follows:

1. Mr Rasheed Giwa (Nigeria)
2. Mr Lucas Kaigarula (Tanzania)
3. Mr Joseph Kamungu (Kenya)
4. Mr Leonard Kimwaga (Tanzania)
5. Mr Delali Klubi (Ghana)
6. Mr Khalid Lodhi (Pakistan)
7. Mr Kudu Adamu Mohammed (Nigeria)
8. Mrs Mudiyansegedera (Sri Lanka)
9. Mr Fidel Mugarura (Rwanda)
10. Mr Ephraim Munene (Kenya)
11. Mr Ashwin Nand (Fiji Islands)
12. Mr James Ngabo (Rwanda)
13. Mr Cuthbert Nwaiwu (Nigeria)
14. Mr Mutawakil Saliu (Nigeria)

Commonwealth Management Development Programme (CMDP) 2006

The Commonwealth Management Development Programme 2006 for tax administrators is being hosted by the Jamaica Revenue Service and will be held at the Management Institute for National Development (MIND), Kingston, Jamaica on 18 September to 27 October 2006. The names of the approved overseas nominees attending this year's course are as follows:

1. Ms Lewai Railala Karavaki (Fiji Islands)
2. Mr Adul-Mumin Yakubu (Ghana)
3. Mr Atab Ahmad (Pakistan)
4. Mr Asim Ahmad (Pakistan)
5. Mr David Alpha Lansana (Sierra Leone)
6. Mr Saa Maurice S Jumu (Sierra Leone)
7. Mr Lawrence Mfanyana Ngcamphalala (Swaziland)
8. Mrs Rose C Mafuru (Tanzania)
9. Mr Aristarick Morris (Tanzania)
10. Mr Salim Mohd Bakar (Tanzania)
11. Mr Athuman Lusewa (Tanzania)

CATA has been able to organise financial assistance for all 11 participants through the Governance &

Institutional Development Division (GIDD) of the Commonwealth Secretariat.

Management Module

- Mr Desmond Batchelor, Ag. Commissioner,
Taxpayer Audit & Assessment
- Mr Ainsley Powell, Ag. Deputy Commissioner,
Stamp Duty
- Ms Marlene Cooper, Ag. Assistant Commissioner,
Tax Audit
- Ms Esther McLean, Ag. Assistant Commissioner,
Stamp Audit
- Ms Veleta Pryce, Director, Stamp Duty
- Ms Rosalee Brown, Ag. Deputy Commissioner,
Collections & Compliance
- Mr Dave Jeffrey, Ag. Assistant Commissioner,
Collections & Compliance
- Ms Shirley Gayle, Ag. Assistant Commissioner
- Mr Michael Campbell, Deputy Commissioner,
Taxpayer Support Services
- Ms Grace Rookwood, Director,
Legislation & Treat Services
- Ms Deloree Staple Chambers, Deputy Commissioner,
Customs
- Mr Norman Munoz, Assistant Commissioner, Customs
- Mr Cecil Brown, Assistant Commissioner, Customs

Audit Module

- Ms Jacqueline McFarlane, Director, Tax Fraud
- Mr Richard Palmer, Ag Assistant Commissioner
- Mr Bevon Sinclair, Technical Specialist
- Ms Tracey-Ann Wilks, Large Case Audits
- Ms Jennifer Smith, Assistant Commissioner
- Mr Isiah Damdar, Large Case Audits
- Mr Everal Foreman, Manager, Tax Audit
- Ms Sonia Jones Howell, Manager, Tax Audit
- Ms Althea Scott Jones, Manager, Tax Audit
- Mr Albert Stephens, Manager, Tax Audit
- Ms Karen Doyle Senior, Manager, Tax Audit
- Ms Yasmin Jackson, Manager, Tax Audit
- Ms Julene Lumsden, Manager, Tax Audit

Taxation of International Transactions (TOIT) 2006

The annual Workshop on Taxation of International Transactions was held at The Malaysian Tax Academy, Selangor, Malaysia from **7 to 25 August 2006**. The names of the participants who attended this year's course are as follows:

1. Moses Maina Macharia (Kenya)
2. Geoffrey Cheruiyot Sigei (Kenya)
3. John Muheirwoha (Uganda)
4. George Patikis (Cyprus)
5. Chiu Sai Ming (Hong Kong)
6. Duduzile Virginia Manzini (Swaziland)
7. Ethnie Bellamy-Weekes (Barbados)
8. Setsoto Ranthocha Cosmas (Lesotho)
9. Babar Irfan Ul Haq (Pakistan)
10. Henda Hewa Ranjith Somasiri (Sri Lanka)
11. John Achieng Orwa (Kenya)
12. Sophia Henry (St Lucia)
13. Ram Mohan (Trinidad & Tobago)
14. John Patrick Antonysamy (Malaysia)
15. Berabu Lingam Nadarajah (Malaysia)
16. Noraini Hashim (Malaysia)
17. Khairul Faizah Abu Bakar (Malaysia)
18. Norihan Sabu (Malaysia)
19. Nazahelsa Mohd. Azami (Malaysia)
20. Hairaneey Mhd. (Malaysia)
21. Zaleha Husain (Malaysia)
22. Muzairi Sheikh Osman (Malaysia)

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Other News

COMMONWEALTH SECRETARY-GENERAL WELCOMES EFFORTS TOWARDS LEVEL PLAYING FIELD ON TAXES

“Achieving equality in the treatment of small developing countries and large rich nations is important in all international standard-setting exercises, and it goes a long way towards promoting fair competition in markets,” says Commonwealth Secretary-General Don McKinnon.

For several years now, the Commonwealth Secretariat has supported the efforts of small states to bring about fairness in the international financial services sector. Mr McKinnon therefore welcomed the new 82-country survey by the Organisation for Economic Co-operation and Development (OECD) on ‘Tax Co-operation: Towards a Level Playing Field’ which provides the information necessary for small states to secure equal treatment.

In 2000, some 35 countries, including Commonwealth member states, were identified by the OECD as being ‘tax havens’. These countries were not consulted about this new process, and were threatened with punitive measures if they failed to meet compliance procedures. The OECD was severely criticised for failure to apply these same principles to its own members. The Commonwealth played a leading role in promoting consultation and co-operation between the OECD and its own, Commonwealth, member states. The Secretariat hosted meetings between the OECD and some of the Commonwealth’s small states, as well as sponsoring attendance at the discussions. In doing so, it sought to ensure that the unique vulnerabilities and challenges of small and developing states were considered fully.

“The survey shows that there has been some progress towards fair competition and transparency in international tax matters,” said the Secretary-General, commenting on the fact that 56 of the 82 countries now have domestic laws permitting the exchange of tax information. “This is progress, but there is further to go, and that includes in Commonwealth countries. I recognise that the process still requires extensive international review and negotiation. And I stress that we in the Commonwealth remain committed to our vulnerable members. We will continue to assist them in these negotiations.”

DOHA FAILURE NOT AN OPTION, SAYS SECRETARY-GENERAL

The suspension of the World Trade Organisation’s on the Doha Development Agenda in Geneva on 24 July 2006 was an “alarming step towards their outright failure” said Commonwealth Secretary-General Don McKinnon in a statement released on 25 July.

He stated that: “Apportioning blame is a fruitless task; but asking who suffers from failed world trade talks (and the one-sided, protectionist, regional or bilateral trade agreements which emerge in their place) is not. If we really are global citizens, we must act as such. Economic success is a fine thing — but when it comes despite or even at the expense of the world’s poorest people, it is simply no thing at all.”

World Trade Organisation Director-General Pascal Lamy suspended the multilateral trade talks, citing irreconcilable differences among major international players on 24 July. Mutual accusations characterised the collapse, with the European Union and the United States blaming each other for failure to reach an agreement on farm subsidies during two days of talks.

The failure of the talks comes as a blow especially for developing countries. The Organisation for Economic Co-operation and Development estimates that halving trade tariffs and subsidies worldwide could contribute as much as US\$44 billion to the global economy in higher incomes for producers and consumers.

The Secretary-General called on developed countries to demonstrate the political courage and will to give more than they receive in the Doha Development Round. He added that the 53 Commonwealth Heads of Government endorsed this at their summit meeting in Valletta, Malta, in November 2005.

“These were the sentiments supported by US Trade Negotiator Susan Schwab when I met her in May this year. They capture the spirit of last week’s G8 Summit in St Petersburg, where G8 and leading G20 countries seemed to be of one mind. All seem to agree that trade is the most effective route out of poverty; all realise that for rich and poor countries alike longer term prosperity and security is dependent on trade that is as free as it is fair,” stressed Mr McKinnon.

"I urge developed and developing countries — the G8 and the G20 — to allow poor countries the capacity to trade. I urge them to recapture the spirit of Valletta and of St Petersburg, and to agree to agree. The Doha Round cannot be allowed to fail in delivering a development dividend. 800 million Commonwealth citizens subsisting on less than \$1 each day would countenance nothing less."

'COMMONWEALTH CONNECTS' ICT DEVELOPMENT PROGRAMME UNVEILED

A new Commonwealth initiative to bridge the deepening digital divide across its member countries was unveiled by Commonwealth Secretary-General Don McKinnon at the Commonwealth Secretariat in London, UK, on 3 August 2006.

Known as Commonwealth Connects, this programme promotes development in information and communication technology (ICT) among member countries, particularly least developed countries and their communities. The aim is to facilitate local, regional and international linkages through the worldwide web that will enhance access to information, networking opportunities and electronic commerce.

Addressing a gathering of High Commissioners and members of the media at the launch of Commonwealth Connects and its website, www.commonwealthconnects.net, the Secretary-General said the occasion was "a very important landmark".

"Today sees the birth of a global website for sharing best practice and best policy in ICT programmes and initiatives from right across the Commonwealth," stated Mr McKinnon. "The site will be a critical element of building a Commonwealth IT community. Imagine the power of technology to bridge the digital divide to transform individual lives, communities and entire communities."

Commonwealth Connects focuses on five specialised areas: building policy and regulatory capacity; modernising education and skills development; entrepreneurship for poverty reduction; promoting local access and connectivity; and regional networking, local content and knowledge.

Dr Michael Frendo, Malta's Minister of Foreign Affairs and Chairman of Commonwealth Connects' Steering Committee, noted the programme would enable countries to enter the information age fully equipped to compete effectively in the global marketplace.

"We have a historic opportunity to provide solutions to the digital divide and genuinely give contribution to sustainable development, generating new growth, jobs and productivity, and to push up the standard of living of people in the Commonwealth. This programme helps to improve engagement and participation from across all sectors of communities, societies and governments," said Dr Frendo.

India, Malta, Mozambique, and Trinidad and Tobago, which are members of the Steering Committee, plan to fund Commonwealth Connects to a little under £1 million over the next three years.

The first project launched under the Commonwealth Connects programme — 'Rebuilding After the Tsunami: Using ICTs for Change' — was also unveiled at the event. This project aims to offer quality web development, e-communication services and training to organisations working on tsunami rehabilitation and reconstruction efforts in Sri Lanka and India.

Its project manager, Naimur Rahman of One World South Asia, stated: "Improving connectivity for individuals and communities, which in turn may provide access to this critical transformational information, is the key focus for any ICT for development initiative. The current project attempts at creating, nurturing and managing human connectedness through ICTs — for humanitarian response to disaster; and for equalising opportunities across barriers of poverty, education, gender, socio-economic status and regional disparities. This will help to build synergy and to pursue collective and collaborative endeavours within and outside the Commonwealth."

Other Commonwealth Connects projects will involve the provision of radio-based business training for women in Cameroon to help them in micro-enterprise; and the distribution of refurbished computers donated by Caribbean governments and citizens to local schools for computer training.

SHAPING A BETTER WORLD THROUGH SHARED BELIEFS AND VISION

The Commonwealth's role is to use its shared beliefs and vision to shape the world for the better, writes Commonwealth Secretary-General Don McKinnon in a Foreword to the newly published 'Commonwealth Ministers Reference Book 2006'.

He speaks of the Commonwealth's historic role in shaping the global agenda, discussing three aspects of its

role in promoting free and fair trade; mutual respect and understanding; and democracy and good governance.

“Trade as the key to development; respect and understanding as the key to harmony; the rights of voters and the institutions of government as the key to democracy: none are the exclusive preserves of the Commonwealth, yet all are the active concerns of the Commonwealth within the world at large. And the world hears the Commonwealth’s voice,” says Mr McKinnon.

On trade, the Secretary-General notes that Commonwealth Heads of Government signed a Statement on Multilateral Trade at their Malta summit in November 2005, demanding a fair deal for the weak and vulnerable, within a rules-based multinational trading system under the auspices of the World Trade Organisation. The Statement called on all developed countries to demonstrate the political courage and will to give more than they receive.

The Commonwealth also places special store in the need for adequately and consistently funded ‘Aid for Trade’, to ensure that weaker economies can meet the immediate costs of being open for and to business, and then in turn grasp the opportunities provided through trade. Those opportunities, he says, will go begging without the money for new infrastructure, legislation, training and diversification.

On respect and understanding, Mr McKinnon writes that dialogue, understanding and goodwill are the only solutions to the ills of chauvinism and extremism.

“The alienation that breeds violence has many roots. Religion, language, ethnicity and culture are among them. But so too are poverty, illiteracy, environmental degradation and political injustice,” says the Secretary-General.

The Commonwealth, he points out, can draw on its comparative advantage as an example of unity in religious, ethnic and even economic diversity. A Commonwealth Task Force on tolerance and understanding is being assembled, which will consult widely across the Commonwealth.

It will report to the next meeting of Heads of Government in Kampala, Uganda, in November 2007, offering new policy measures and tools, handbooks, and citizenship education programmes for governments to use in addressing marginalisation and building communities.

Mr McKinnon also highlights Commonwealth activities in promoting development and democracy.

“The quest for democracy and good government is a journey, not an end. It stands or falls on two things: the political will to change and improve — and the genuineness or not of the public service culture that is then charged with bringing about those improvements. It takes time: but some have managed in 20 years what the older democracies are still working on after two centuries,” says the Secretary-General.

Commonwealth activities include election monitoring and building democratic institutions, both nationally and locally, and across the three branches of government — the legislature, the executive and the judiciary.

COMMONWEALTH CONTINUES TO PROVIDE GLOBAL LEADERSHIP

The Commonwealth has continued to provide global leadership and demonstrated different dimensions of it, which has continued to make it a relevant and important international player and attracts aspiring members, according to Amitav Banerji, Director and Head of the Office of the Commonwealth Secretary-General.

“The Commonwealth has consistently maintained a leadership role in the international community on issues where it has found it possible to make a special contribution. That potential remains and must be maintained,” he says.

Speaking at a panel discussion on ‘Symbols, Sinecures and Satraps: Dimensions of Commonwealth Leadership’ organised by the Royal Commonwealth Society and the Commonwealth Association at the Commonwealth Club in London, UK, on 19 July 2006, Mr Banerji emphasised that there is no dearth of individual leadership of a high calibre in the Commonwealth.

He said it will be an ever greater challenge to get government leaders to focus specifically on the Commonwealth given the many other preoccupations and distractions they face and the array of international organisations to which their countries belong.

Mr Banerji said the Commonwealth has demonstrated moral, political and intellectual leadership by moulding and influencing global opinion on key issues from time to time, as well as taking initiatives that other international organisations have sought to emulate.

He cited the vulnerability of small states, the campaign to free Heavily Indebted Poor Countries of their debt burden and the organic relationship between democracy

and development, as areas of distinctive Commonwealth contribution.

“The Harare Declaration and the Millbrook Action Programme, taken together, are an excellent example of Commonwealth leadership in the promotion of democracy and good governance,” he stated.

“There is also leadership of a more technical nature that the Commonwealth continues to provide,” said Mr Banerji, pinpointing the Commonwealth Secretariat’s debt management software, anti-terrorism legislation and manuals of good practice in gender, education, human rights, public service reform and corporate governance.

He stated that the position of the Commonwealth Chairperson-in-Office, created in 1999, had given rise to a new opportunity for leadership, through a role that advocates Commonwealth positions on the global stage or “to help guide the ship if it ran into troubled waters”. He cited the example of Nigerian President Olusegun Obasanjo’s close personal involvement in handling the issue of Zimbabwe when he was Chairperson-in-Office during 2003-2005.

Also speaking at this event was Mark Robinson, a Senior Associate and member of St Anthony’s College at Oxford University, and Dr Moses Anafu, a former Secretariat staff member.

STRENGTHENING CORPORATE GOVERNANCE IN COMMONWEALTH ASIA

In an effort to examine corporate governance reform in Commonwealth Asian countries, a Commonwealth Secretariat workshop will be held in Maldives on 17-18 June 2006. It will discuss the strengthening of public policies that will enhance corporate governance, and identify areas for co-ordination among multilateral agencies in each country that will help build capacity in this field.

Speaking on the eve of the workshop, Commonwealth Deputy Secretary-General Winston Cox said: “Emerging market economies like those in Commonwealth Asia need to put in place policies to sustain institutional capacity to support the national economy and society in the age of globalisation. Corporate governance is especially relevant for small states as a few companies that practice good corporate governance can boost the confidence of national and international investors.”

Mr Cox stated that the Secretariat’s efforts to promote good corporate governance focus on strengthening the capacity of companies and countries to compete in the

global economy, promoting a conducive environment for privatisation and strengthening anti-corruption efforts.

Some 25 corporate governance practitioners, including government agencies, professional bodies and development partners from the World Bank, International Finance Corporation, Asian Development Bank and Global Corporate Governance Forum will participate in the two-day workshop. They include representatives from Bangladesh, India, Malaysia, Maldives, Pakistan, Singapore and Sri Lanka.

Dr Srinivas Sampath, Adviser and Head of the Asia and Pacific Section of the Governance and Institutional Development Division of the Secretariat, said: “No particular effort has been made so far to study and compare the developments in corporate governance as well as to identify gaps in countries through comparisons of their institutional structures. This workshop will also enable participants to share their corporate governance strategies and to devise more synergetic action programmes to boost best practices that will contribute to overall socio-economic development.”

The workshop is funded by the Commonwealth Fund for Technical Co-operation and the Global Corporate Governance Forum.

COMMONWEALTH TEACHER PROTOCOL CITED AS ‘GOOD MODEL’ BY EDUCATION INTERNATIONAL

The Commonwealth Teacher Recruitment Protocol has been cited by Education International, the worldwide umbrella organisation for teachers’ unions, as a ‘good model’ which the International Labour Organisation (ILO) must work on establishing globally.

Fred van Leeuwun, General Secretary of Education International, said in an address on 8 June 2006 at the annual ILO conference in Geneva, Switzerland, that given the shortage of teachers across the globe and the need for 18 million newly trained teachers by 2015, the new Protocol adopted by Commonwealth governments and their teachers’ unions was of crucial importance. “We propose that the ILO take this model and work with us to establish its standards worldwide,” stated Mr van Leeuwun.

The Protocol has also been cited by the ILO as a best practice in Migration and Development in the Multilateral Framework for its rights-based approach to labour migration. Alongside its companion instrument, the Code of Practice for the International Recruitment

of Health Workers, the Protocol is one of five best practices by international and regional organisations described as “innovative and representing creative responses and solutions” to protecting migrant workers, sustaining economic activity and furthering development in origin and destination countries.

Dr Roli Degazon-Johnson, the Commonwealth Secretariat’s Education Adviser, said: “This constitutes further international recognition of this instrument for the protection of Commonwealth teachers and reaffirms the efforts of education ministers who mandated the development of the Protocol and requested that it be promoted as a best practice in international recruitment through UNESCO and the ILO.”

Since its adoption in September 2004, the Protocol has been endorsed by the Organisation of American States in August 2005 and tabled in a UNESCO resolution in October last year.

NEW DEPUTY SECRETARY-GENERAL AIMS TO ENHANCE ECONOMIC AND SOCIAL DEVELOPMENT

The new Commonwealth Deputy Secretary-General, Ransford Smith, who oversees economic and social development affairs, is determined to strengthen the work of the Commonwealth Secretariat to enhance the socio-economic progress of member states, particularly developing countries.

“It’s a great pleasure for me to begin work here at the Commonwealth Secretariat,” said Mr Smith in an interview with the Commonwealth News and Information Service on 16 August 2006 during his first day in office.

“I expect to contribute to the excellent work that the Commonwealth has been doing in assisting developing member countries, as well as ensuring that the entire Commonwealth family is fully and effectively a part of the wide ranging developmental efforts of the global community.”

Mr Smith, who succeeded Winston Cox of Barbados as Deputy Secretary-General, stated he intends to continue to extend and deepen the scope of the Commonwealth Fund for Technical Co-operation (CFTC) which is managed by the Secretariat. He said the CFTC has been making a valuable contribution to the development needs of member states in international trade; enterprise development; investment, including the development of natural resources; debt management; public sector reform; health and education; as well as gender equality.

The new Deputy Secretary-General is a career diplomat of nearly 30 years’ standing in the Jamaican Public and Foreign Service. He previously served as Permanent Secretary to the Ministry of Commerce and Technology, and also Permanent Secretary to the Ministry of Industry and Investment. His diplomatic career has included postings at the Jamaican Embassy in Washington DC, as well as the Jamaican Mission to the United Nations in New York.

Mr Smith is the first Jamaican to serve as a Commonwealth Deputy-Secretary General. He was formerly the Permanent Representative of Jamaica to the Office of the United Nations and its specialised agencies in Geneva, Rome and Vienna. Mr Smith was also Ambassador of Jamaica to the World Trade Organisation (WTO), and served as Ambassador to a number of European countries.

He has extensive experience of participation in multilateral economic and development bodies. He was Chairman of the WTO Committee on Trade and Development (2000-01), Chairman of the Commonwealth Group of Developing Countries in Geneva (2001-02), and President of the Trade and Development Board of UNCTAD (2005-06).

He has led Jamaican delegations to international conferences, including the Doha Ministerial Conference of the WTO. He was also Chief Negotiator and Spokesperson for the Group of 77 and China at UNCTAD XI in June 2004.

Fifty-seven-year-old Mr Smith has an MA in International Relations and an MBA in Financial Management. He was appointed a Commander of the Order of Distinction in Jamaica for outstanding service in Foreign Affairs in 2005.

IMPROVING PUBLIC SERVICE DELIVERY AND ACCOUNTABILITY

Public service delivery must be more efficient and effective, as well as responsive to the needs of the poor. Commonwealth Deputy Secretary-General Florence Mugasha said this at the opening of a ‘Good Governance and Effective Public Service Delivery’ workshop in Mbabane, Swaziland, on 19 June 2006. The five-day workshop, attended by 30 Swaziland Government ministers and permanent secretaries, is being organised by the Commonwealth Secretariat and the Government of Swaziland.

The Deputy Secretary-General stated: “The challenge of service is to ensure that we remain accountable to the

people, including the poorest and most vulnerable. Accountability is a key ingredient of good governance in that it ensures that governments are answerable to their people for the way they run the country. This is the true test of public service delivery.”

Mrs Mugasha commended the Government of Swaziland for its decentralisation policy which, she said, would help to improve the delivery of services to the poor. She stressed the important relationship between political and administrative leaders in managing government business.

“While political leaders set the policy agenda, technocrats ensure that the agenda is effectively implemented for the benefit of the nation,” said Mrs Mugasha. “I hope that this workshop will afford cabinet ministers and permanent secretaries an opportunity to benchmark experiences with those of other countries in the Commonwealth and to develop strategies for working together so as to lead the transformation process of Swaziland.”

The workshop will also focus on the development priorities of Swaziland and the role of the country’s constitution in deepening democracy and good governance through transparency, accountability and the rule of law. Issues such as public sector reform and budgeting, public resource management and anti-corruption will be examined, and areas in need of capacity-building identified.

Mrs Mugasha noted that a number of issues have to be addressed to enhance the governance capacity of many African states.

“These include strengthening the capacity of the parliaments to effectively deliver on their mandates, improving the performance of the judiciary and ensuring its independence from political interference. Improving public sector management, raising the standard of public service delivery, as well as effective engagement of the private sector, civil society and citizens in the governance process are also critical.”

GOOD CORPORATE GOVERNANCE CRITICAL FOR DEVELOPMENT

Companies which exercise good corporate governance can lead the way in building confidence among national and international investors, particularly in small states, said Commonwealth Deputy Secretary-General Winston Cox. He stressed that good corporate governance enhances financial stability and the orderly development of capital markets, which reduces the risks to the financial system.

He made these points in a video-taped speech on 17 June 2006 at the opening of a Commonwealth workshop in Malé, Maldives, on ‘Developments, Structures, Capacity and Roadmap for Enhancing Corporate Governance’. The two-day workshop was funded by the Commonwealth Fund for Technical Co-operation and the Global Corporate Governance Forum. It was attended by more than 20 senior officials from Commonwealth governments and development agencies.

The Deputy Secretary-General pointed out that progress in good corporate governance in Commonwealth Asian countries has not been even, with some taking great strides but others seeing very little development. He said emerging economies like those in Commonwealth Asia need to put in place policies to sustain national institutions, economies and societies to meet the challenges of globalisation.

“Corporate governance is no longer the domain of specialists in the investment community and company directors; it is also the concern of policy-makers, legislators and citizens,” said Mr Cox.

The workshop, he said, would help to develop a roadmap for improving the standards of corporate governance in Commonwealth Asia. Mr Cox stated that the Commonwealth Secretariat’s efforts to promote good corporate governance focus on strengthening the capacity of companies and countries to compete in the global economy, promoting a positive post-privatisation environment and strengthening anti-corruption efforts. It also helps to facilitate the corporate sector’s contribution to people-centred development through the promotion of better corporate citizenship.

“Improving organisational performance, maintaining environmental and social responsibility and conforming to international standards are all essential aspects of good corporate governance,” said the Deputy Secretary-General. “Many countries have taken a number of actions to improve the knowledge, standards and capacity for corporate governance, and to extend corporate governance to public sector development as well.”

Mr Cox said the principles, standards and guidelines provided by the Secretariat and other development organisations have helped member countries to benchmark practices and establish milestones for progress.

ENTRIES INVITED FOR COMMONWEALTH VISION AWARDS

Talented and creative film-makers from the Commonwealth are invited to submit entries to the annual Commonwealth Vision Awards jointly organised by the Royal Commonwealth Society (RCS) and the Commonwealth Broadcasting Association.

Initial entries must provide a written scenario for a short film between 30-90 seconds on the Commonwealth Day 2007 theme, 'The Commonwealth — Respecting Difference, Promoting Understanding'.

Up to 15 entries short listed by a selection panel will be awarded £1,000 each for the production of the film.

Judging will take place in October 2006 while the awards will be announced and presented at a ceremony in November. The winning entries will be broadcast throughout the Commonwealth.

Stuart Mole, Director-General of the RCS, said: "The Commonwealth Vision Awards provide an opportunity for audiences around the Commonwealth and beyond to learn about and to debate key Commonwealth and international issues. This film competition enables film-makers to reflect on the concerted efforts by governments, civil society and communities to encourage tolerance and unity across the Commonwealth."

Application forms can be obtained by e-mailing visionawards@rcsint.org or faxing +44 (0)20 7930 9705, or by writing to Alice Kawoya, Project Manager, The Commonwealth Vision Awards, Royal Commonwealth Society, 25 Northumberland Avenue, London WC2N 5AP, UK. Applications can also be made online at www.rcsint.org/vision. The closing date for applications is 28 July 2006.

NEW PUBLICATION: 'COMBATING MONEY LAUNDERING AND TERRORIST FINANCING'

The Commonwealth Secretariat has produced a second edition of 'Combating Money Laundering and Terrorist Financing', first published in 2005. The new edition includes additional information on understanding how terrorism is financed.

The Commonwealth has been in the forefront of international efforts to combat money laundering and terrorist financing through the misuse of financial systems. This money is often raised from the proceeds of the narcotics trade and other criminal activities.

The Secretariat has supported developing member countries, in particular, in their efforts to implement

comprehensive systems on Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT) that comply with global standards.

The publication outlines best practice for the financial sector and associated businesses. It focuses on global issues, strategies and standards; national issues and strategies; and financial and professional sector procedures.

It will be of use to policy-makers, regulators, financial institutions and professionals, especially those working in law and accounting, in their efforts to develop legislation and regulations, as well as viable AML and CFT systems.

Articles include: 'Criminalising Money Laundering'; 'Recognition and Reporting of Suspicions'; 'Internal Controls, Policies and Procedures'; and 'Establishing International and Regional Co-operation'.

ISBN: 0-85092-842-7; 190 pages; price: £20

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This title can be bought online at www.thecommonwealth.org/publications

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News from Members



AUSTRALIA

Country Correspondent:
Pam Mitchell

New Fuel Tax Credits scheme

The new Fuel Tax Credits scheme replaces the Energy Grants Credits Scheme. Credits under the Energy Grants Credits Scheme were restricted to certain uses of fuel. Under the new scheme, fuel tax relief will be available to a wider range of businesses and households.

The scheme commenced on 1 July 2006 with transitional measures providing a phased broadening of the availability of credits until full implementation from 1 July 2012.

Fuel tax credits will provide a credit for fuel tax (currently excise and customs duties) that is included in the price of fuel. Once fully implemented, fuel tax credits will be available to all businesses registered for GST using fuel in their business, regardless of business type or the use of the fuel. The amount of the fuel tax credit available for onroad use in large vehicles is reduced by a road user charge.

Fuel tax credits will also be available to householders using fuel for domestic electricity generation.

The fuel tax credit for businesses registered for GST will be claimed through the same arrangement those businesses already use to account for GST – the Business Activity Statement. Accounting for fuel tax credits will therefore align with accounting for GST. To reduce the cash flow impact of this change in claiming arrangements, certain claimants will be able to make early claims for fuel tax credits during the first two years of the new scheme.

There is a separate claim arrangement for domestic electricity generation for claimants not registered for GST.

CANADA

Corporate Business Plan 2006-2007 to 2008-2009

CRA has released its Corporate Business Plan 2006-2007 to 2008-2009, which describes its challenges, objectives, strategies, performance expectations, and financial projections for the planning period. It is based upon CRA's vision of the Agency in 2010.

Driven by unique governance features and authorities evolved since CRA was formed in 1999, Agency 2010 is the vision that will guide its progress and focus efforts over the next few years. CRA maintains a high level of integrity and strives to continue to improve its overall efficiency and effectiveness.

The Agency works toward two strategic outcomes:

- Taxpayers meet their obligations and Canada's revenue base is protected.
- Eligible families and individuals receive timely and correct benefit payments, contributing to the integrity of Canada's income security system.

Michel Dorais, Commissioner and Chief Executive Officer, Canada Revenue Agency explains that CRA's ultimate goal is to become the preferred interface between clients and the individuals, businesses, and other groups that rely on its services.

The 20 document can be viewed and downloaded at: http://www.cra-arc.gc.ca/agency/business_plans/menu-e.html.

MALTA

Country Correspondent:
Mr Randolph Aquilina

Permanent Residents

Malta operates a scheme for persons who wish to take up permanent residence in the country. The scheme has a number of tax obligations such as a minimum tax payable annually and minimum amounts of income remitted to Malta as well as obligations regarding residence value.

In the case of European Union nationals, residence in Malta does not require necessarily taking up this scheme but is optional. All other nationals can only take up such residence by entry into this scheme.

Extensive amendments are currently being made to the Residents Scheme Regulations issued under the Income Tax Act in order to tighten up this scheme and prevent any abuses. The verification process before application has been tightened and strict collaboration with Diplomatic Missions abroad has been set-up. The annual verification of compliance is also being made clearer.

Hosting of Students

Malta has established itself as a leading country in the teaching of English to foreign students. A number of privately run schools provide this service especially in the summer months. As a corollary to this activity, a number of families are engaged by these schools to host these students during their stay in Malta, providing meals, accommodation and amenities.

These host families are of course technically taxable on the income received from the schools for such student hosting (gross receipts less expenses incurred). Owing to the complexity of calculating the real costs and expenses incurred since the students are living with the household and sharing food and all basic amenities, new regulations have just been issued simplifying such calculations and providing tax benefits to this sector.

A host family's income is calculated according to a basic formula whereby the gross receipts are reduced by a residence-sharing deduction and from the result only 35% is deemed to be taxable income, with the other 65% being deemed expenses.

Venture Capital

Last year we had reported that a number of incentives to industry in the form of tax benefits were introduced, mainly in the areas of R&D, back office operations, warehousing, electronic business and for the reinvestment of profit.

This year has seen further development in this area. Regulations have been enacted to encourage the provision of venture capital. The Venture Capital Fund Regulations provide for tax credits to be availed of where such capital is made available.

All such regulations providing for tax credits available to companies incurring the specified expenditure also provide for higher thresholds of tax credit capping to be

applicable in the case of an SME. The benefits are within the limits accepted by the EU.

Tax on Property Transfers / Capital Gains Tax

In a previous contribution, we had outlined the proposed changes to the tax on capital gains, which is part of the Income Tax Act.

As had been explained, most cases of transfers of immovable property or rights thereon will be chargeable under a new system of 12% on the consideration. This tax on property transfer is also part of the Income Tax Act. However, as had been explained, certain situations can still fall to be taxed under the capital gains system, usually at the option of the taxpayer.

The measures implementing these changes were enacted into law earlier this year. Moreover, subsidiary legislation entitled Tax on Property Transfers Rules were also issued later in the year to deal with practical issues that arise, especially in the apportionment of values.

Double Tax Treaties

Two new treaties have recently been signed by Malta to provide for the avoidance of double taxation; one agreement is with Spain and the other is with Iceland. The two treaties are currently being enacted. These treaties will continue to expand the already extensive network of double tax treaty agreements that Malta has signed with many countries worldwide.

SINGAPORE

*News Despatch by:
Ms Sunita Kapoor*

Launch of the Tax Academy of Singapore

On 28th July 2006, Minister for Education and Second Minister for Finance Mr Tharman Shanmugaratnam was the Guest of Honour at the official launch of the Tax Academy of Singapore. The Tax Academy is a joint collaboration between the Inland Revenue Authority of Singapore (IRAS), the Law Society of Singapore and the Big 4 international accounting firms-Deloitte & Touche, Ernst & Young, KPMG and PricewaterhouseCoopers.

A non-profit institution, the Tax Academy was established to enhance the professional standards of tax practitioners and enlarge the pool of competent tax professionals through structured training programmes and research.



Left to Right: Commissioner of Inland Revenue Mr Moses Lee, Minister for Education and Second Minister for Finance Mr Tharman Shanmugaratnam, Mr Noris Ong Chairman Tax Academy of Singapore and Mr Alan Ow CEO Tax Academy of Singapore at the official launch.

The Tax Academy will focus on providing a wide range of tax courses and professional development programmes, regular seminars as well as annual conferences on current tax issues. Participants will be local and international tax practitioners, tax administrators, researchers and academia who can learn, exchange ideas and network with one another through the wide range of programmes offered. For more details, please access the Tax Academy Website at www.taxacademysingapore.com.sg.

Tax Treatment on Donations with Benefits

To encourage the spirit of philanthropic giving in Singapore, IRAS has reviewed the tax treatment of donations with benefits. As at 1st May 2006, certain donations made to registered charities and Institutions of Public Character (IPCs) will be deemed to be pure donations notwithstanding there is a benefit given in return for the donation.

To qualify for the concessionary treatment, donations with benefits given in return will be regarded as pure donations if the benefits are treated as having no commercial value. For more details on the types of benefits deemed not to have a commercial value, please take a look at the Electronic Tax Guide titled “Tax Treatment on Donations with Benefits” at www.iras.gov.sg

Tax Exemption under Section 13(12) for Specific Scenarios and Real Estate Investment Trusts

The Prime Minister and Minister for Finance Mr Lee Hsien Loong presented the Singapore 2006 Budget with the theme “Building On Our Strengths, Creating Our Best Home” on 17th February 2006.

One of the major tax measures announced was that Real Estate Investment Trusts (REITs) and companies that receive foreign-sourced dividends, branch profits and service income, but are unable to meet the qualifying conditions for automatic tax exemption under section 13(8) of the Singapore Income Tax Act (ITA) will be allowed tax exemption on such income under section 13(12) of the ITA provided they are able to satisfy certain conditions.

In this regard, IRAS has issued an Electronic Tax Guide titled “Tax Exemption under Section 13 (12) for Specific Scenarios and Real Estate Investment Trusts” at www.iras.gov.sg. This E-Tax Guide details the specific scenarios and qualifying conditions under which REITs and companies with substantial business activities overseas will be allowed tax exemption on foreign income under section 13 (12) of the ITA.

Use of Treasury Shares to Fulfil Obligations under an Employee Equity-based Remuneration Scheme

To facilitate employee equity-based remuneration schemes, Prime Minister and Minister of Finance Lee Hsien Loong announced in his 2006 Budget Speech that companies that grant employee stock options (ESOs) or share awards through treasury shares will be accorded a tax deduction. This is in recognition that companies are increasingly linking employee remuneration to the organisational performance by granting ESOs or share awards under a move towards a more flexible wage system.

IRAS has issued an Electronic Tax Guide titled “Use of Treasury Shares To Fulfil Obligations Under An Employee Equity-Based Remuneration Scheme” at www.iras.gov.sg. This E-Tax Guide explains the tax change to allow a tax deduction for treasury shares transferred under an employee equity-based remuneration scheme.

Taxation of Life Insurers under the Risk-based Capital (RBC) Framework

The Monetary Authority of Singapore (MAS) requires all insurers (except those who are specifically exempted) to comply with the new Risk-Based Capital (RBC) requirements from 1 January 2005 onwards.

The RBC framework aims to align prudential requirements for insurers with the global trend of adopting a transparent valuation method using “fair value” basis and risk-adjusted capital requirement. This

regulatory framework amends the valuation methodology for assets and liabilities, establishes new capital requirement rules, updates the roles of actuaries and introduces a new set of statutory reporting requirements.

Arising from the change to the new RBC framework, the Life Insurance Association proposed to the Singapore Ministry of Finance (MOF) a number of changes to the existing tax framework for life insurers. MOF has accepted some of these proposals. In this regard, IRAS has issued an Electronic Tax Guide titled "Taxation of Life Insurers under the Risk-based Capital (RBC) Framework" at www.iras.gov.sg

Avoidance of Double Taxation Agreement with Slovak Republic

A new agreement between the Government of the Republic of Singapore and the Government of the Slovak Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect of Taxes on Income was entered into force on 12 June 2006 following the completion of ratification process. The provisions of this DTA shall have effect on income derived on or after 1 January 2007.

With the coming into force of this Agreement, Singapore now has in force a total of 52 Comprehensive Double Taxation Agreements.

SOLOMON ISLANDS

Country Correspondent:
Ms Jenny Overland

New Guidelines for Goods Tax and Import Duties exemptions

In June 2006, new exemption guidelines for Goods Tax and Import Duties were released. This is a strong step towards a more transparent, fair and accountable exemptions process.

The guidelines state that exemptions will only be considered for:

- New business commencing operation in Solomon Islands;
- Expansion of existing businesses operating in Solomon Islands; and
- Rural community developments.

In addition, investments must satisfy a 'national interest test' that requires that the benefits of the

investment must outweigh the revenue and economic costs of the exemption.

These benefits could include increased employment opportunities for Solomon Islanders, increased exports, improved public infrastructure and increased taxation payments within five years of the commencement of the investment activity.

Two committees have been established (IRD Exemptions Committee and Customs Exemptions Committee). Both committees will meet regularly and forward their recommendations to the Minister for Finance for approval. The Department of Finance will publicly release the name of the investor, the reason for the incentive and the estimated cost to revenue. All exemption recipients will be required to submit a tax return and relevant customs documentation.

Copies of the Goods Tax exemption guidelines can be obtained from the respective Chair's of the Committees (IRD Exemptions Committee Eric Saelea <esaelea@mof.gov.sb>; Customs Exemptions Committee, Acting Secretary, Peter Rapasia <prapasia@customs.gov.sb>).

Recruitment

In another significant step, Inland Revenue will shortly be filling approximately 14 positions (approximately 20% of total staff numbers). These positions have been vacant for some years. The positions range from entry to Manger level across a range of functions within the organisation. The additional staff will ensure that IRD can continue to deliver the required services to meet the needs of an expanding taxpayer base.



SOUTH AFRICA

Country Correspondent:
Mr Lincoln Marais

South Africa's proposed tax amnesty for Small and Medium-size companies has been altered to bring more businesses under the plan

After consultations with the business community, the government amended the plan to allow SARS to waive taxes due by SMEs (Small and Medium-size Enterprises), with a turnover for the 2005 year of assessment not exceeding R10 million, for the years of assessment ending on or before 31 March 2004.

The plan was amended to require those eligible to pay a smaller nondisclosure penalty of no more than 5 percent based on their taxable income for 2005.

The initial tax amnesty plan, announced in the 2006 budget, set the assessment threshold for businesses at R5 million and the required nondisclosure penalty at 10 percent.

Under the revised amnesty, eligible businesses would pay a nondisclosure penalty of 2 percent on taxable income between R35,000 and R100,000, a penalty of 3 percent on income between R100,001 and R250,000, a penalty of 4 percent on income between R250,001 and R500,000, and a penalty of 5 percent on income of R500,001 and more.

The single-phase amnesty will apply from August 2006 until the end of May 2007.

UNITED KINGDOM

Country Correspondent:
Ms Jas Sahni

HM Revenue & Customs Spring Departmental Report 2006

The HM Revenue & Customs (HMRC) Spring Departmental Report 2006 was presented to the UK Parliament by the Paymaster General on 29 June 2006. The report sets out the first year achievements and longer-term goals of HMRC.

The last financial year includes some key achievements:

- * a million people being removed from Self Assessment;
- * over a million people now using the simplified Shorter Tax Return;
- * the screening of almost 2 million vehicles at ports and airports for radiological materials as part of counter-terrorism measures; and
- * a successful TV and radio campaign to encourage people to report businesses and individuals illegally evading tax to an HMRC hotline.

The report also sets out HMRC's future plans, which include:

- * reducing the administrative burden on business by at least 10 per cent over the next 5 years;
- * investing £340 million in online services over the next nine years; and
- * reducing by at least £3.5 billion a year by 2008 the underpayment of direct taxes and National Insurance contributions.

HMRC also announced the creation of a new Criminal Taxes Unit, which will investigate people who not only fail to comply with their tax obligations, but also amass wealth through crime. The unit will work together with the police, the Serious Organised Crime Agency and the Assets Recovery Agency and use taxation as a way of disrupting crime; it will collect tax, penalties and interest on money gained by suspected criminals and criminally investigate appropriate cases. It will use every method of taxing and penalising suspected criminals, taking away their profits made from crime.

The report is available on the HMRC website at <http://www.hmrc.gov.uk>.

Double Taxation Agreements

On 24 July 2006 the Paymaster General, Dawn Primarolo, MP, announced details of the UK's treaty negotiating priorities for the year to 31 March 2007. The UK Government reviews the Double Taxation Agreement (DTA) priorities each year to ensure that the treaty network continues to meet the needs of the businesses and individuals receiving income from abroad. HM Revenue & Customs (HMRC) monitors the DTA networks of other countries and invites representations from business, individuals, representative bodies, other Government departments and others with an interest in this area.

Programme to 31 March 2007

HMRC plans to complete work on new DTAs with Macedonia, Moldova, Slovenia and Thailand; and on a Protocol with Switzerland.

HMRC intends to progress negotiations with the Cayman Islands, China, Germany, Hungary, Faroe Islands and Saudi Arabia; and also to progress negotiations with the Crown Dependencies and Overseas Territories on Tax Information Exchange Agreements (TIEAs).

New talks

HMRC has plans for Protocols to amend the existing DTAs with Australia, Mexico, New Zealand and South Africa.

Recent developments

A new comprehensive double DTA between the UK and Poland was signed in London on 20 July 2006 by

the Paymaster General, Dawn Primarolo MP and the Deputy Finance Minister of Poland, Jaroslaw Neneman. Among other things, the new treaty will introduce changes to the tax treatment of dividends, interest, royalties and employment income received by residents of one country from sources in the other.

The DTA with Georgia, signed in London on 13 July 2004, entered into force on 11 October 2005. The provisions of the DTA apply in the UK from 1 April 2006 (for corporation tax) and from 6 April 2006 (for income tax and capital gains tax). The provisions of the DTA apply in Georgia from 1 January 2006.

New DTAs with Botswana and Japan were approved by Parliament on 17 May 2006.

Agreements on the taxation of savings with Guernsey, Jersey, the Isle of Man, Anguilla, the British Virgin Islands, the Cayman Islands, Montserrat, the Turks & Caicos Islands, the Netherlands Antilles and Aruba all came into effect on 1 July 2005. A similar Agreement with Gibraltar was approved by Parliament in the spring and entered into force on 1 April 2006.

There are more than 1,300 DTAs world-wide - the UK has one of the largest networks covering more than 100 countries.

HMRC trials new approaches to contacting taxpayers

A series of new approaches exploring simpler and less time-consuming ways of helping taxpayers comply with their responsibilities were announced on 10 July 2006 by HM Revenue & Customs (HMRC).

The new approaches, which aim to cut down on bureaucracy for taxpayers, their agents and the Government, will help inform an ongoing consultation process into modernising the powers of HMRC.

The six new approaches, which will take place at selected locations around the UK, will explore lighter touch approaches to tax enquiries, particularly for those likely to make mistakes in relation to their tax, rather than those who are deliberately trying to pay less tax than is due.

The new approaches include:

- * coaching taxpayers through a self audit system, correcting common weaknesses in the preparation of their returns;
- * discussing perceived risks and, where necessary putting things right in relation to common errors over the telephone; and

- * providing advice on changes to record-keeping procedures, to correct any existing errors and help avoid future problems.

Details of the interventions being trailed are available in the recent consultation document, Modernising Powers, Deterrents and Safeguards, which is available at <http://www.hmrc.gov.uk/about/powers-appeal.htm>

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