

The Commonwealth Association of Tax Administrators



coata
Newsletter

CHOGM 2011 in Australia

The Tour ends!

Tutu Bakwena appointed new Executive Director

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Editorial

The Tour Ends!

Yes, that's what it says in the visa stamped in my passport which completed the final legal formality or hurdle that commenced my association with CATA for an initial period of 3 years way back in 1996. The text of the visa stated that it was to be valid for the duration of my "tour with the Commonwealth". That period was extended in subsequent renewals of contract by various management committees. But like all matters mortal, my "tour" with the Commonwealth and more specifically with CATA is coming to an end; officially at the end of September 2010 but I will be gradually easing out of the assignment a bit before that to assist my successor ease into his new assignment simultaneously. This leaves me with intermingled feelings of pride, gratefulness

and a bit of sadness. Pride at the length of association with CATA; gratefulness towards all those friends and colleagues whom I had the pleasure of meeting and working with over the years, and sadness at the eventual farewell I have to say to all such friends. Without their help, support and cooperation this fantastic and rewarding journey could have been far shorter than it eventually was.

CATA secretariat is a very small office supported in various ways by many divisions and subordinate wings of the Commonwealth Secretariat. It is a 24/7 job in many ways because of the geographical spread of the Commonwealth membership. It wasn't so until the internet and email systems dragged public offices into private bedrooms, so to speak. When Islamabad was first established in the early 1960s as the new capital of Pakistan, it took many years for the entire federal bureaucracy to creep up country into their new bearings. The city is built on the foothills of the Margalla mountain range with lush green surroundings. In the early days, late in the night, jackals would come out of their daylight hiding places and break the deadly silence with frightening howls right outside the sitting room windows of initially shocked migrant government officials. It therefore acquired the local saying that "Islamabad is a city of section officers and jackals. At 8 am jackals go home and section officers come out. At 8 pm, section officers go home and jackals come out"! It was a revolving door routine. There are no jackals at CATA but it has a busier and far more frequent revolving door. Every hour or so, some member officials are dusting their office tables and switching on their computers to create a regulated trickle of email messages. There is no obligation in London to respond instantly to everything arriving outside of office hours but the very nature of internet connectivity entails "real time activity". That makes the job both challenging and interesting.

This particular aspect of round the clock contact also gives it a family feel, a continual contact about serious business occasionally mingled with a personal note of welfare enquiry or similar personal inputs. The nature of the job has changed dramatically since I joined in 1996. My predecessor, Sam Chelvathurai had challenges of a different nature such as trying to make contact through the now forgotten technology of "Telex" machines or fax machines refusing to behave or obey instructions unless in continual attendance

by the operator, a bit like an undisciplined child needing to be looked upon at all times. That was at times a very frustrating and unrewarding experience. I had a brief experience of that when in my initial years with CATA, telex was still the most reliable form of communication with some members. While the information technology revolution has brought about many convenient ways of doing the same old business in the blink of an eye, it has also generated its own stresses, new expectations and in some cases unreasonable assumptions, mostly from those not totally familiar with level of resource and limitations at work in the CATA secretariat. Fortunately for all parties involved, the number of such individuals is insignificantly low but as long as they remain in operation, their nuisance value is disproportionately high. Dealing with the pleasant and unpleasant, the cooperative and not so cooperative, the competent and those not equally bright, developed vs developing country mindsets, man management of extremely varied cultures and social values especially when they interact with each other and the job requires strategic dealings that keep tensions out of the equation as far as is possible, is the baggage that comes with the job. It is a baggage that will come with many challenging assignments. It is also what makes the experience more enriching and memorable. From a personal perspective, it has been only professionally enriching and in interpersonal dealings extremely rewarding.

I therefore address and dedicate my final editorial to each and every person with whom I dealt with over a period of 14 years in taking CATA forward as a team and what is commonly referred to as the Commonwealth family. A very negligible number of persons struggle to understand what the Commonwealth family means, even ridicule the idea in their ignorance. Their inability to feel a part of such a wonderful global family is their loss. The Commonwealth cannot be poorer in any way from the exclusion of a few misfits. CATA has gained continually in strength with the passage of time through the untiring efforts of literally hundreds of members who have all contributed in their individual and unique ways to the development of the Association.

Since my first association with CATA at the annual CATA conference in 1990 in Mauritius, I have had the pleasure of interacting or working closely with a long list of presidents, chairmen and vice chairmen of CATA. Each one was unique and blessed with different qualities and each leaving his or her stamp of influence during their respective tenures. I cannot recall any one from whom I did not learn one thing or another. The list is simply too long for this editorial piece but I take this opportunity to publicly thank each one of them for their guidance, support and cooperation during their respective periods of office ship. A similar note of gratitude is due to all others whom I was associated with for long or short term in single or multiple assignments or events. If success was achieved in any of those activities, it had to be through the collective team work of everyone involved.

I would like to believe that I will be leaving CATA in good operational shape. Despite the well documented limited budgets and resources at the secretariat, CATA is today in very good financial health with annual savings from allocated annual budgets through tight financial controls, and expenditures limited to essential activities only. I hope that members will continue to maintain their support to the Association with the same enthusiasm and commitment as in the past. If that should remain so, no threats aimed at weakening or diluting the role of CATA as attempted in the past or may be so attempted in the future from any quarter or individual will ever succeed. But it is important for all members to be aware that threats do exist even today and complacency can never be the name of the game at CATA.

Long Live CATA!

***Visit CATA website at
www.cata-tax.org
For all information about
activities and forthcoming
events***

CATA News

Thirty-First CATA Annual Technical Conference 2010

Arrangements for the 31st CATA Annual Technical Conference in Abuja, Nigeria are going ahead as planned.

Delegates are again reminded to register early to avail the discounted hotel booking rates in time.

Invitations have been extended to special guests from non-member countries and international organisations. The Conference will be held at the Transcorp Hilton Hotel, Abuja.

The following two topics will be discussed at the conference/workshop:

1. **Taxation of specialized sectors**
 - a) **Financial sector such as banking, insurance, etc.**
 - b) **Energy, including oil and gas**
 - c) **Air and shipping services**
 - d) **Telecom**
 - e) **Agro-based industries**
2. **Exchange of information – domestic and international**

Conference Coordinator:

Ms Q.S. Seghosime is Chairman Local Organising Committee. She can be contacted as follows:

Mail: **Federal Inland Revenue Service
15 Sokode Crescent
Wuse Zone 5, Abuja. Nigeria**
Tel.: **+234-803 382 83761**
Email: **sofuras@yahoo.com**

Important information about the Conference can be obtained from the CATA website at:

www.cata-tax.org

Workshop on Taxation of International Transactions (TOIT) 2010

The annual Workshop on Taxation of International Transactions was held at the Malaysian Tax Academy, Selangor, Malaysia from 3 to 21 May 2010. Twenty-five external participants representing sixteen countries participated in the workshop in addition to five officials from Malaysia.

See following list of participants:

- 1) Monwar Ahmed (Bangladesh)
- 2) Md. Shafiqul Islam Akand (Bangladesh)
- 3) McGregor Kenneth Aldwyn Dash (Barbados)
- 4) William Tiroyaone Nkitseng (Botswana)
- 5) Dayanku Masleda binti Pengiran Daud (Brunei)
- 6) Neilia Tan Ye Ha (Brunei)
- 7) Navitalai Koroi Bogitini (Fiji Islands)
- 8) Ashinyo Kwaku Francis (Ghana)
- 9) Mapesa Rose Jacqueline Shirenya (Kenya)
- 10) Charles Kimutai Cheruiyot (Kenya)
- 11) Eric Kagira Njoroge (Kenya)
- 12) Grace Gathoni Nyaga (Kenya)
- 13) Puseletso Josephina Kalikali (Lesotho)
- 14) Peter Chimwemwe Kalitsiro Chikabadwa (Malawi)
- 15) Skazo Bernard Mwanda (Malawi)
- 16) Asma Shafeeu (Maldives)
- 17) Louis Guy Allan Li Tai Tsat (Mauritius)
- 18) Katherine Tarube (PNG)
- 19) Lapologang Peggy Dlamini (South Africa)
- 20) Don Upul Arunajeeva Jayawardhana (Sri Lanka)
- 21) Gugu Nonhlanhla Mavuso (Swaziland)
- 22) Mungyereza Korugyendo Jovile (Uganda)
- 23) Harriet Kemigabo (Uganda)
- 24) Ssali Grace (Uganda)
- 25) Obet're Charles Tweny (Uganda)
- 26) Mohd Tarmizi Ahmad (Malaysia)
- 27) Salamatunnajan Besah (Malaysia)
- 28) Hazmeen Hussein (Malaysia)
- 29) Noor Azman Ahmad Johari (Malaysia)
- 30) Nizamuddin Abd Kadir (Malaysia)

Management Committee Meeting (MCM) May 2010 cancelled

The Management Committee Meeting was due to be held on 27 & 28 April 2010. The meeting was eventually cancelled due to flight restrictions caused by the volcanic ash clouds from Iceland.

Appointment of Executive Director

Interviews for selection and appointment of a new Executive Director for CATA were held on 26 April 2010 at Marlborough House in London. Three candidates shortlisted by the selection panel were interviewed by a specially constituted interview panel. **Mr Tutu Bakwena** from Botswana was the person appointed. He is expected to join CATA Secretariat on 1 August 2010 to work concurrently with the present incumbent until 30 September 2010.

Appointments

New Country Representatives

The Gambia

Mr Bakary K Sanyang, Commissioner of Domestic Taxes is now the Representative and replaced Mr Alieu Jarboh.

New Country Correspondents

New Zealand

Ms Nicola Wilson-Kelly, Advisor to Carolyn Tremain (Deputy Commissioner), Service Delivery replaced Mr Nigel Shatford as Correspondent in March 2010.

Samoa

Ms Auelua Apoiliu Warren, Deputy Commissioner is now the Correspondent replacing Ms Alisa Viliamu.

The Gambia

Mr Louis Gillen, Tax Manager has recently taken over as Correspondent.

COMSEC News

Dates for Commonwealth Heads of Government Meeting 2011 Announced

The Prime Minister of Australia Kevin Rudd and Commonwealth Secretary-General Kamalesh Sharma announced that the next Commonwealth Heads of Government Meeting (CHOGM) will be held in Perth, Western Australia, from 28 to 30 October 2011.

CHOGM is held every two years and is the highest consultative and policy-making mechanism of the Commonwealth.

The Prime Minister said that as a committed and active member of the Commonwealth, Australia is delighted to be hosting CHOGM for a third time - Melbourne in 1981, Coolumb in 2002 and Perth in 2011.

Commonwealth members share a strong commitment to the fundamental principles of democracy and development, good governance, the rule of law, and the protection of human rights. CHOGM is a unique opportunity for Commonwealth leaders to work together to address significant global challenges.

The Prime Minister noted that "Australia and in particular Western Australia, looks forward to welcoming Commonwealth leaders and delegates to Perth for what I am confident will be a successful summit."

The principal venue for the meeting will be the Perth Convention and Exhibition Centre.

Mr. Sharma observed that CHOGM brings together leaders representing around one quarter of the world's countries, and one third of the world's population. "It is the opportunity for Commonwealth leaders to discuss the national and global challenges of our times, to exchange views and best practice, to find paths to peace and prosperity for all, and to deliberate on how this exceptional organisation can serve the world better," the Secretary-General said.

"The Commonwealth community is delighted and grateful to be hosted once again by the people and government of Australia. The Commonwealth is all about governments and people who share the same values and principles, and the will to support

each other. CHOGM therefore brings together our political leaders but also civil society, young people, the business community, and many others who share the vision of this global summit in Perth being a Commonwealth meeting for a Commonwealth of its times," he added.

The agenda for the meeting will be set nearer the time. Leaders will focus on a wide array of issues of collective interest to the 54 member nations of the Commonwealth.

Expert analysis: Insulating taxpayers from banking failures

The Commonwealth Secretariat's Head of International Finance and Capital Markets looks at new taxes on banks, which are emerging in the wake of the global economic crisis

When a bank is bankrupt there are three sets of potential immediate losers: shareholders can lose the money they have invested; depositors can lose their savings; or taxpayers lose income as public money is provided to support the institutions. In the recent crisis, developed governments chose to protect retail depositors - current voters and consumers, if you will - and allowed the costs to fall on shareholders and taxpayers (in this case, future voters and consumers). Policy makers experimented with not providing financial support for Lehman Brothers. This experiment was not a success.

The result has been that a financial system which teetered on the brink of complete collapse is now in recovery - but at the price of soaring public debt levels and historically high budget deficits. This would be reason enough for governments to reconsider their relationship with the banking sector. But the point becomes still stronger when the wider economic consequences of the systemic financial crisis - falling income, employment and living standards globally - are seen. Commonwealth countries - more open and integrated in the global economy than others - have more to gain than most from a more efficient future system.

The worry is that with taxpayer support for financial institutions fully acknowledged, the incentives to future reckless lending and crisis are

strengthened. So new approaches are being proposed to insulate taxpayers and the global economy from banking sector failure. Two are attracting most attention and were high on the agenda when the finance ministers from G20 countries gathered in Washington. They will feature again when Heads meet in Toronto in June.

The first is a tax on the assets of banks which would both help rebuild the public finances now and provide the resources for future financial problems. Operating such a tax internationally would allay concerns about individual countries losing competitive advantage. But - not surprisingly - countries whose financial systems were robust in the crisis see less need for co-ordination.

The second approach revives a scheme for a tax on financial transactions, often referred to as the Tobin tax. This requires a high degree of international co-operation in the implementation of the tax and managing access to the resources it yields.

The IMF has produced preliminary analysis of these two approaches. Whilst both will raise the revenue needed to provide a buffer against the costs of future financial crisis, it is argued that the first would go further to reduce the incentives to risky behaviour in banks and would not adversely affect ordinary users of financial services. This position is disputed and will be a focus of continuing debate in the run up to decisions in the summer.

Jonathan Ockenden is Head of International Finance and Capital Markets at the Commonwealth Secretariat

Members News

Australia

Country Correspondent
Ms Sarah Safransky



Tax Information Exchange Agreements

Australia recently signed new agreements with a further 13 countries to help combat tax evasion and strengthen our global exchange network. The new agreements were signed with Vanuatu, San Marino, St Kitts and Nevis, St Vincent and the Grenadines, Anguilla, Turks and Caicos Islands, St Lucia, Grenada, Dominica, Belize and Monaco.

The TIEA Project grew out of the Harmful Tax Practice Initiative work undertaken by the Organisation for Economic Cooperation and Development (OECD), which started in 1996 to reduce the prevalence of harmful tax practices around the world.

Leadership and Change Multilateral

Delegates from nine countries, including New Zealand, Canada, Papua New Guinea, Zimbabwe and Singapore as well as the OECD recently took part in a workshop on leadership and change to share experiences, challenges and ideas. The event focused on how tax administrations can develop a high performance culture to provide excellence in tax administration. There were discussions on the relationship between reducing the compliance cost burden and making tax administrations more efficient. Also discussed was the impact of large scale changes on the way we do our business and the importance of leadership and integrity.

Banking Strategy

The ATO is working on a strategy to obtain assistance, advice and intelligence from Australian and foreign banks. The Banking Transparency Strategy (BTS) aims to address offshore compliance risk related to the diversion

and holding of income and assets in jurisdictions that offer bank and entity secrecy protection.

To do this, the ATO is requesting and collecting data and intelligence on Australian resident taxpayers that have offshore accounts in jurisdictions of interest directly from financial institutions operating in Australia.

The ATO has approached Australian and foreign banks asking them to provide a range of information including offshore account data, details of foreign private banking employees that have visited Australia and Australian-based events promoted by foreign banks. Credit (and debit) card providers have also been approached to obtain offshore debit and credit card data.

PNG ATO Twinning Program

The ATO recently hosted two officers from the PNG Internal Revenue Commission (IRC) as part of the PNG ATO Twinning Program. The program provided the PNG officers with design tools and techniques to help them improve their processes and problem-solving capability around receiving and actioning correspondence.

Canada

Country Correspondent
Ms Debra Shalla



Online seminars for small businesses

The Canada Revenue Agency (CRA) recently announced the launch of Small Business Information Webinars (online seminars) as part of ongoing efforts to assist Canadians in understanding their tax responsibilities and how the CRA is available to help them.

The CRA already distributes educational material for businesses through many communication channels, such as the CRA Web site, publications, small business information seminars, mailings,

and its electronic distribution list. The Small Business Information Webinars are a new interactive way for businesses to learn about their income tax and value-added tax responsibilities, and also provide small enterprises a means to communicate with the CRA.

The Small Business Information Webinars have been established in addition to and in complement of the existing small business information seminars. Webinars allow the CRA to be more accessible, particularly to taxpayers that are either too far away to attend an information session or need information on specific topics.

The CRA is offering an additional suite of webinars focused on the Harmonized Sales Tax (HST) for Ontario and British Columbia. For more information on these webinars, please see www.cra.gc.ca/harmonization.

The CRA is continuously creating more ways to assist small businesses in complying with their tax obligations.

To get more information on the Small Business Information Webinars, see www.cra.gc.ca/events.

Jamaica

*Country Correspondent
Miss Meris Haughton*

Online filing and payment of income tax returns now a reality

The Jamaica Tax Administration introduced the electronic filing and payment of income tax on March 8, 2010, to make it easier for persons to file and pay taxes. The new option allowed individuals and corporations to electronically file and pay their income tax for 2009 and make their declaration of estimated income and tax payable for 2010, in time for the **March 15** due date.

With the expansion of the Jamaica Tax Administration's online service, business persons are now able to log on to the **Tax Portal** at www.jamaicatax-online.gov.jm, from the convenience of their home, office or elsewhere and at any time, to file income tax returns, once they are duly registered. This online option allows self-employed persons and companies to save time and money by not having to visit a tax office

to file their income tax returns and to make the necessary payments.

In addition to the filing of annual and estimated income tax returns, businesses are also now able to electronically make their estimated quarterly payments for income tax. Additionally, individuals and self-employed persons are able to file Education Tax Return (ET01) and make payments for National Insurance Scheme (NIS) and Education Tax via the internet.

Before going live with this latest phase of its e-services, the tax authorities hosted a sensitisation session, to familiarise representatives from the business and accounting communities with the expanded e-filing/payment system. The participants, which included the Chairman of the Tax Committee of the Institute of Chartered Accountants of Jamaica, were given a demonstration of the income tax online filing and payment options.

Since the 2004 launch of the Jamaica Tax Administration's e-service, it has been expanded in phases and now accommodates the filing and/or payment of General Consumption and Special Consumption Taxes (GCT & SCT); Income Tax; Payroll Deductions; Property Tax; traffic fines; and some trade licences and fees;

With this latest phase becoming operational, the Jamaican tax authorities, in partnership with FISCAL Services Ltd, will be working to expand the income tax option even further to accommodate the uploading of financial statements and other relevant schedules. The filing of other tax types will also be introduced in later phases.

Tax Administration intensifies enforcement actions

The Jamaica Tax Administration stepped up its compliance activities against delinquent taxpayers in the final quarter of the 2009-2010 fiscal year, as it moved to collect outstanding taxes, utilizing several enforcement strategies. The compliance drive will be further intensified in the new fiscal year, which began April 1, 2010.

For the 2009-2010 fiscal year, the increased enforcement actions resulted in 3,184 taxpayers being brought before the court for various tax matters valued at J\$8.9B. Additionally, 818

summonses were served on self-employed individuals and organisations across the island, for failing to pay or make suitable arrangements to settle their outstanding taxes.

To deal with the most difficult cases, a Special Enforcement Team (SET), which is attached to the Inland Revenue Department (IRD), used the option to issue Levy Warrants. This allowed the SET Officers to seize assets and, if necessary, auction them to recover taxes owed. Since June 2009, when the SET was established, 136 Levy Warrants have been issued. It should be noted that once an account has been turned over to the Special Enforcement Team or legal action has been initiated, persons lose the option to negotiate a settlement with the Commissioner, Inland Revenue.

Additionally, the IRD and the Taxpayer Audit and Assessment Department (TAAD) have been working in partnership to investigate and examine payroll records, to determine if new revenue measures applicable to allowances and high income earners were being correctly applied. At the end of the 2009-2010 financial year, 746 payrolls were examined which resulted in under reported tax of J\$221M. To date J\$119M of the unreported amounts have been collected with arrangements made for the liquidation of the balance.

As the Jamaican tax authorities continued its drive to ensure that persons pay what is due – no more, no less – they have also used “Stop Orders” to prevent delinquent taxpayers from leaving the country. This option is utilised where outstanding amounts have not been paid nor suitable arrangements made for settlements, or in cases where a taxpayer has disobeyed a Court Order. Fifty (50) cases relating to high profile persons, including entertainers, have already been identified and “Stop Orders” served. These and other enforcement actions, including committing delinquent taxpayers to jail, will be utilised during the current fiscal year.

Despite the heightened compliance activities, the Tax Administration is still open to discussions with taxpayers who are experiencing difficulty meeting their tax obligations. Taxpayers with outstanding amounts are encouraged to visit their local Tax Office to speak with the Collector of Compliance or an Assistant Commissioner to negotiate a reasonable payment schedule. It

should be noted that any payment schedule set out in the written agreement shall be strictly enforced.

Lesotho

Country Correspondent Mr Setsoto Ranthocha



Legislative Developments: Lesotho Signs a DTA with Botswana

The Ministers of Finance of the Kingdom of Lesotho and of the Republic of Botswana met in April 2010 and signed a double taxation agreement (DTA) between the two countries. Once the completion procedures are completed the treaty will enable the two countries that have long established historical ties tackle international tax issues and problems. The DTA itself is a combination of the OECD, UN and SADC models.

On the other hand negotiating teams from Lesotho and the Republic of Namibia met in March in Lesotho for the first round of negotiations of a tax treaty between the two countries. The second round of negotiations is to take place in the Namibia later during the year. All the three countries; Botswana, Lesotho and Namibia are part of the Southern African Custom Union (SACU). SACU is a five member states customs union. These countries share common multinationals in key areas of their economies including the financial, clothing and retail sectors. The existence of a network of treaties will therefore, spur regional economic growth through avoidance of double taxation while at the same time minimizing tax avoidance and evasion through exchange of information between the revenue agencies.

Revenue Performance

For the fiscal year ended 31 March 2010 the Lesotho Revenue Authority (LRA) surpassed the revenue targets set by the government of Lesotho for the domestic taxes, income tax and VAT. Though the combined remittance exceeded the

target by 11% there was a shortfall or under performance in VAT collections of 3% which has been attributed to a decline in consumption as a result of the recent financial crises.

Administrative Arrangements: Appointments

Mr Thabo Moleko becomes the third Commissioner Customs and Excise (CCE) since the establishment of the LRA in 2003. This follows the appointment of the former CCE, Mr Thabo Letjama, to the position of Commissioner General. Mr Moleko has considerable experience in tax administration with his first appointment dating way before the formation of the revenue authority. He started in 1992 just after completing his first degree in Commerce and rose through the ranks until he became Assistant Commissioner Internal Operations. Of his many achievements the following can be highlighted.

- Implementation of VAT: Thabo Moleko was charged with implementing the value added tax (VAT) regime in Lesotho in 2003 which was replacing the general sales tax (GST). The implementation was so effective that even from the first year the LRA saw increased revenues.
- Implementation of VIPS: VAT, like many other taxes, works well in a computerized environment, and indeed many believe that this is a prerequisite. It was on this realization that Lesotho put in place VAT information processing system (VIPS) so as to computerize VAT. Mr Moleko contributed significantly in making sure that the system was up and running smoothly.
- The other major assignment was the carrying out of the VAT diagnostic study which aimed at improving the working and effectiveness of the tax. Since then the LRA has put in place filing of returns with the banks and streamlined the refunds process. On the international front he has been a very strong member of the Forum for VAT Administrators in Africa (VADA) and a Lesotho delegate to the Southern Africa Development Community (SADC) working group on indirect taxes.

As the new Commissioner Customs and Excise he is working towards modernizing the division and

preparing it for the envisaged SADC common market area by 2015.

Malaysia

Country Correspondent Mdm Ruedah Karim



The new legal framework for Labuan IBFC

With the enactment of a new legislative framework in February 2010, four acts were amended and four new acts were introduced to make the legislative framework in Labuan IBFC more comprehensive, streamlined and business friendly. The review brought the legislative framework in line with current international best standards and practices for conducting business as well as supervisory activities at par with international best practices and best practices advocated by international bodies such as the G20 and the Organisation for Economic Cooperation and Development (OECD). The said new amendments and acts, which are the thrusts of the restructuring, are as follows:

1. Labuan Offshore Business Activity Tax (Amendment) Act 2010;
2. Labuan Offshore Financial Services Authority (Amendment) Act 2010;
3. Labuan Offshore Trust (Amendment) Act 2010;
4. Offshore Companies (Amendment) Act 2010;
5. Labuan Financial Services and Securities Act 2010;
6. Labuan Foundations Act 2010;
7. Labuan Islamic Financial Services and Securities Act 2010;
8. Labuan Limited Partnerships and Limited Liability Partnership Act 2010.

Such a move taken by the Malaysian Government, besides to effectively and efficiently regulate and supervise business activities includes the renaming of the Labuan Offshore Financial Services Authority or LOFSA as Labuan Financial Services Authority (Labuan FSA). The

new legal framework also enhances the roles and functions of Labuan FSA to regulate and supervise financial institutions and licensed entities operating from Labuan International Business and Financial Centre (Labuan IBFC) to allow only legitimate business to be conducted out of Labuan IBFC. Labuan FSA has also put in place prudential measures to ensure the soundness and financial stability of the institutions as well as investors protection.

Labuan IBFC now offers a wider spectrum of products and services under both conventional and Shariah-compliant structures. These include banking, insurance, leasing, trusts, captives, bonds as well as a comprehensive array of wealth management services as well as investment banking, financial and investment advisory, trusteeship, custodian, administration of estates, foundations complemented by related fiduciary services such as accounting and international financial exchange. One of the key salient features is the introduction of new products, among others:

1. Limited Liability Partnership;
2. Malaysian International Shipping Registry;
3. Foundations;
4. Private Trusts Companies;
5. Protected Cell Companies; and
6. Labuan Special Trust.

Apart from the new offerings, other substantial effects from the legal changes in relation to the restructuring of Labuan include:

- i. Allowing Labuan-registered holding companies to co-locate outside its jurisdiction. This will attract various international holding companies as well as multinationals to establish their business operations in Kuala Lumpur or other parts in Malaysia to capitalize on the conducive business environment. This will encourage operations of companies from capital exporting and importing countries; and
- ii. The opening up of Labuan IBFC to Malaysians, especially for those with foreign assets, and also to foreigners with Malaysian assets. Previously, specific approvals are required for Malaysians to use Labuan IBFC's products and services and with the new legislation, Labuan

IBFC will become an attractive place for investors to structure their investments through Labuan IBFC.

The new laws were designed to further develop Labuan IBFC into a premier financial centre for innovative products and services, hence contribute to make Malaysia an attractive destination, namely in the Asia-Pacific region. The competitiveness of Labuan IBFC in terms of costs, delivery system and incentives are also being further enhanced by identifying additional cost reduction opportunities, simplifying business processes and leveraging on the ICT capabilities while ensuring effective observance to international standards and enhance disclosure and transparency standards in line with international best practices.

New Zealand

*Country Correspondent
Ms Nicola Wilson-Kelly*

New planning framework increases productivity

It can be challenging for an organisation to maintain a high level of customer service in times of reducing financial budgets.

Recently, Inland Revenue piloted a framework – called 'Operations Management' internally - to better manage customer demand against the resources we've been allocated. The pilot, involving a team of 800 people, achieved a productivity increase of over 10% in one year, while the team still consistently delivered services to the required level.

We are now extending Operations Management to a larger team, to reap similar productivity gains.

What's Operations Management all about?

It's a standardised framework to help us meet customer expectations while giving clear accountability to everyone delivering a service to the customer.

Operations managers draw up their plans every month, and team leaders break down those plans into weekly and daily targets for their teams. These plans are then moderated by all operations

units to ensure all teams have fair targets that will deliver what is considered 'optimal' performance.

Every day, operations managers and team leaders compare performance against the plans. When circumstances change, team leaders are expected to reassign resources across teams, units, and locations to ensure the plan is met.

If there's a gap between what's being delivered and agreed service levels, it's the team leader's responsibility to come forward with a plan to address the variance.

Traditional models that feature a centralised 'planning' team struggle to succeed when day-to-day situations change. Inland Revenue's Operation Management framework, on the other hand, has leaders on-site where the work is done, moving resources (on an hour-to-hour basis if necessary) to deliver their daily output targets.

Our front-line leaders are in the best position to influence service outcomes, and Operations Management has empowered these people to make any on-the-spot decisions that are sometimes necessary to respond to changing demands.

The framework is now being rolled out across a larger team of 2,000 people who service customers face-to-face and over the phone, and make decisions on complicated business processes. We expect a further 10% improvement in productivity.

If you'd like more information about the framework, please email Tony Sutherland at tony.sutherland@ird.govt.nz.

Nigeria

*Country Correspondent:
Mr Malik Tukur*



His Excellency, Dr. Goodluck Jonathan, GCFR,
The President and Commander in Chief of the

Armed Forces, has represented the three outstanding Bills on tax reform to the National Assembly for consideration. The Bills are:

1. Amendment to Personal Income Tax Act (PITA),
2. Sugar Development Council Act and
3. Custom, Excise (Consolidation) amendments Act.

You can recall that these Bills had earlier on been presented during the last political dispensation but could not see the light of the day. They are thus presented for consideration a second time.

Secondly, on the 20th of January 2010, the Federal Executive Council of Nigeria ratified the National Tax Policy of Nigeria. Below are the first three chapters of the documents. For the purpose of space management, it is grouped by chapter. It is a historical document that marks a threshold in the Nigerian Tax System.

Chapter one of the national tax policy of Nigeria:

Overview

The National Tax Policy seeks to provide a set of guidelines, rules and modus operandi that would regulate Nigeria's tax system and provide a basis for tax legislation and tax administration in Nigeria.

The National Tax Policy is an initiative of the Federal Government of Nigeria which is being driven by the Federal Ministry of Finance on the basis of the report from a Study Group in July 2003. The Study Group was inaugurated on 6th August, 2002 to examine the tax system and make appropriate recommendations towards entrenching a better **tax policy** and improved **tax administration** in the country.

In January 2004, a private sector-driven Working Group was constituted to review the recommendations of the Study Group. Both groups (The Study and Working) addressed macro and micro issues in tax policy and administration. Among the macro issues discussed were the drafting of a National Tax Policy, Taxation and Federalism, Tax Incentives and Tax Administration generally. Their recommendations were further reviewed and commented upon by various stakeholders.

The reasons for reform and the decision to develop a National Tax Policy could therefore be traced back to the structure of the existing tax system and some of its inherent problems such as:

- the increased demand to grow internally generated revenue, which has led to the exercise of the powers of taxation to the detriment of the taxpayers who suffer multiple taxation and bear a higher tax burden than anticipated;
- insufficient information available to taxpayers on tax compliance requirements, which created uncertainty and room for leakages in the tax system;
- multiple taxation by Government at all levels, which impacted negatively on the investment climate in Nigeria. Elimination of multiple taxation is therefore of major concern at all levels of Government;
- lack of accountability for tax revenue and its expenditure;
- lack of clarity on taxation powers of each level of Government / encroachment on the powers of one level / State by another;
- lack of skilled manpower and inadequate funding, which led to the delegation of powers of revenue officials to third parties, thereby creating uncertainty in the tax system and increasing the cost of tax compliance;
- use of aggressive and unorthodox methods for tax collection;
- the non refund of excess taxes to tax payers, due to the lack of an efficient system and funds;
- the non-review of tax legislation, which had led to obsolete laws, that do not reflect Nigeria's current realities; and
- the lack of a specific policy direction for tax matters in Nigeria and the absence of laid down procedural guidelines for the operation of the various tax authorities.

These and other problems plaguing Nigeria's tax system have not been adequately tackled for many years. One of the reasons for this was Government's heavy reliance on revenues derived from oil, as a result of which little or no attention had been given to revenue from other sources, such as taxation. However, there is now a renewed commitment by the Federal Government to diversify the economy by growing the non-oil tax revenue in order to develop a stable and sustainable revenue source to finance developmental projects.

Following from the above, it is evident that the tax system required reform. Although there had been several reforms in the past, these reforms were not pursued under any policy direction and, in some cases, were carried out in an uncoordinated manner. This informed the decision of the Study and Working Groups (referred to above) that there should be a National Tax Policy that would provide a direction for Nigeria's tax system and establish a framework that all stakeholders would subscribe to and to which they would be held accountable. It is in line with this, that the National Tax Policy is set out below.

Pakistan

*Country Correspondent:
Mr Abdul Rashid*

Pakistan – Belgium initial Protocol

Pakistan and Belgium initialed a Protocol on Exchange of Information on 27th March, 2010. The Protocol would replace the existing Article 26 on the Exchange of Information in the Treaty on Avoidance of Double Taxation between Pakistan and Belgium, providing for greater cooperation between the two States.

Mr. Asrar Raouf, Member Policy (Direct Taxes), Federal Board of Revenue initialed the Protocol on behalf of Pakistan and Mr. Jacques Gombeer, Auditor General, Federal Public Service Finance initialed on behalf of Belgium. The Protocol will be formally signed when both sides complete their internal legal formalities.

Singapore

*Country Correspondent:
Ms Angeline Chan*



Productivity & Innovation Credit

The Productivity and Innovation Credit was introduced in the Singapore Budget 2010 to provide significant tax deductions for investments

in a range of six activities – research and development done in Singapore; registration of Intellectual Property rights; acquisition of Intellectual Property rights; investments in design done in Singapore; spending on equipment or software aimed at automating processes; and costs of training employees to upgrade skills and capabilities.

All businesses will be eligible for the Productivity and Innovation Credit for the Years of Assessment 2011 to 2015. The amount of tax deductions businesses will be eligible for will be based on the amount they invest in any of the six activities. Businesses which have at least 3 local employees may convert the tax deductions or allowances arising from their qualifying expenditure on the six types of activities under the Productivity and Innovation Credit into a non-taxable cash grant.

More information on the Productivity and Innovation Credit can be accessed via <http://www.iras.gov.sg/irashome/PIcredit.aspx>.

e-Tax Guide on New Progressive Property Tax Regime for Owner-Occupied Residential Properties with effect from 1 January 2011

IRAS has issued an e-Tax guide on the new Progressive Property Tax Regime (PPTR) for owner-occupied residential properties announced in the Singapore Budget 2010. The new PPTR will replace the existing owner-occupier's concessionary tax rate from 1 January 2011. The e-Tax guide sets out how the new PPTR will apply to owner-occupied residential properties. It also provides information on the cessation of the 1994 GST Rebate on owner-occupied residential properties.

The e-Tax guide can be accessed via <http://www.iras.gov.sg/irasHome/uploadedFiles/Quick Links/e-Tax Guides/Property/e-Tax%20Guide.pdf>.

e-Tax Guide on Import GST Deferment Scheme

A new Import GST Deferment Scheme (IGDS) was announced in the Singapore Budget 2010. To be implemented on 1 October 2010, IGDS aims to ease the import GST cash flow for GST-registered businesses arising from the time lapse between the payment and claiming of import GST. IRAS has issued an e-Tax guide to explain how IGDS works

and to set out the qualifying conditions of IGDS as well as the responsibilities of an IGDS business. The e-Tax guide can be accessed via <http://www.iras.gov.sg/irasHome/uploadedFiles/Quick Links/e-Tax Guides/GST/IGDS%20e-tax%20guide.pdf>.

Record Individual E-Filing Rate of 94%

IRAS achieved a record e-filing rate of 94%, which is 3% higher than that in 2009, at the close of the e-filing deadline of 18 April 2010 for individuals.

At the same time, IRAS' No-Filing Service made tax filing a non-event for 653,000 individual taxpayers. For this group of taxpayers under the No-Filing Service, their tax returns have been pre-filled with salary information transmitted to IRAS by their employers, deduction information sourced from third parties and their previous tax filing records. They would receive their Notices of Assessment directly from IRAS without the need to file any tax returns.

IRAS Wins 2010 Enterprise Green IT Award

IRAS has been awarded the 2010 Enterprise Green IT Award. Jointly presented by the Singapore Business Federation, IBM Singapore Pte Ltd, the Institute of Technical Education and Frost & Sullivan, the award recognizes Singapore-based enterprises with outstanding sustainable Green IT solutions/practices.

IRAS has been leveraging on information technology as part of efforts to provide more convenient and cost effective services to our customers. In doing so, we also strive to contribute towards the Green Movement. Many of our key e-Services such as e-filing, the Auto-Inclusion Scheme and the No-Filing Service have contributed towards this movement by cutting down the usage/storage of paper.

Launch of the Singapore Institute of Accredited Tax Professionals

The Institute of Certified Public Accountants of Singapore and the Tax Academy of Singapore has jointly set up the Singapore Institute of Accredited Tax Professionals (SIATP). The SIATP aims to raise the standards of tax practice and the technical competence and capabilities of tax professionals in practice, business and

government through accreditation. Besides having robust admission requirements, SIATP also requires applicants to fulfill a minimum number of Continuing Professional Education hours to ensure they are kept abreast of the latest tax changes. More information about SIATP can be found at www.siatp.org.sg.

United Kingdom

*Country Correspondent:
Ms Angelia Burke*

HM Treasury ministerial responsibilities

Following the 2010 May elections

- George Osborne was appointed as Chancellor of the Exchequer.
- David Laws was appointed Chief Secretary to the Treasury.
- Mark Hoban was appointed Financial Secretary to the Treasury.
- David Gauke was appointed Exchequer Secretary to the Treasury.
- Justine Greening was appointed Economic Secretary to the Treasury.

Tax Information Exchange Agreements (TIEAs) - signed

The UK has recently signed Tax Information Exchange Agreements (TIEAs) with Belize, Dominica, Grenada and San Marino. The TIEAs provide for comprehensive exchange of information to OECD and international tax standards.

The texts of the TIEAs may be accessed on the HMRC website:

- UK/Belize [Tax Information Exchange Agreement](#)
- UK/Dominica [Tax Information Exchange Agreement](#)
- UK/Grenada [Tax Information Exchange Agreement](#)
- UK/San Marino [Tax Information Exchange Agreement](#)

Double Taxation Convention - signed

The UK has signed a new Double Taxation Convention with Germany. The treaty generally

follows the OECD Model Double Taxation Convention [UK/Germany Double Taxation Convention](#).

Entry into force

- The UK/British Virgin Islands Tax Information Exchange Agreement and Double taxation agreement entered into force on 12 April 2010. http://www.opsi.gov.uk/si/si2009/pdf/uksi_20093013_en.pdf
- The UK/Libya Double Taxation Convention entered into force on 8 March 2010. http://www.opsi.gov.uk/si/si2010/pdf/uksi_20100243_en.pdf

New powers from 1 April 2010 for HMRC

Legislation has been introduced with the aim of creating a common approach to how HM Revenue & Customs (HMRC) carry out compliance checks, and the penalties charged, across the taxes HMRC collects.

The changes include:

- a failure to notify penalty for people who fail to register for a tax, declare taxable income or notify a new activity on which tax is due
- a new VAT and Excise wrongdoing penalty to deal with abuse of these systems
- a new four year time limit for claims and assessments for Capital Gains Tax, Corporation Tax, Income Tax, PAYE and VAT
- the Compliance Checks legislation is extended to more taxes
- the inaccuracy penalty is extended to more taxes
- HMRC will be able to publish the names of deliberate defaulters

Taxpayers and companies who deliberately evade taxes face having their name, address and details of their evasion made public after new legislation was put into force.

HM Revenue & Customs (HMRC) will be able to publish names and details of individuals and companies who are caught dodging their taxes from 1 April 2010.

Emergency Budget 2010 - 22 June 2010

Chancellor George Osborne has confirmed that an emergency Budget will be held on Tuesday 22 June 2010.

Current 2010 – 11 Rates and allowances

Some of the 2010-11 rates and allowances for income tax, national insurance contributions, capital gains tax, inheritance tax, corporation tax are set out below.

Income tax

From April 2010 a new 50 pence additional tax rate will apply to income above £150,000 and the income tax personal allowance will gradually be withdrawn for those with incomes over £100,000.

Income tax: Bands of taxable income, £ per year

	2009-10	2010-11
Starting rate for savings	0 – 2,440	0 -2, 440
Basic rate	0 – 37,400	0 – 37,400
Higher Rate	Over 37,400	37,401 - 150,000
Additional rate	N/A	Over 150,000

Income tax rates	2009-10	2010-11
Starting rate for savings	10%	10%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	N/A	50%
Basic rate on dividends (effective rate with tax credit)	10% (0%)	10% (0%)
Higher rate on dividends (effective rate with tax credit)	32.5% (25%)	32.5% (25%)
Additional rate on dividends (effective rate with tax credit)	N/A	42.5% (36.1%)

Income tax: Income tax allowances 2010-11

£ per year (unless stated)	2009-10	2010-11*
Personal allowance		
Age under 65	6,475	6,475
Age-related allowance (65-74)	9,490	9,490
Age-related allowance (75+)	9,640	9,640
Income limit for age-related allowances	22,900	22,900
Married couples allowance**:		
Age over 75	6,965	6,965
Minimum amount	2,670	2,670
Blind Persons Allowance	1,890	1,890

*From April 2010, the personal allowance will be gradually withdrawn for income over £100,000 at a rate of £1 of allowance lost for every £2 over £100,000 until it is completely removed.

** Available to people born before April 6 1935. Tax relief for this allowance is restricted to 10 per cent.

Capital Gains Tax

The Budget 2010 announced an increase in the Entrepreneurs' Relief lifetime limit from the first £1 million to the first £2 million of qualifying gains.

Capital Gains Tax	2009-10	2010-11
Standard rate	18%	18%
Entrepreneurs' Relief effective rate	10%	10%
Annual Exempt Amount	£10,100	£10,100
Entrepreneurs' Relief lifetime limit of gains	£1,000,000	£2,000,000

Corporation tax on profits

Corporation tax on profits	2009-2010	2010-2011
£0 - £300,000	21%	21%*
£300,001 - £1,500,000	Marginal rate	Marginal rate
£1,500,001 or more	28%	28%

The 2009 Pre-Budget Report announced that a rise in the small companies' rate to 22 per cent would be deferred until 2011-12

Company taxes payable on profits from UK oil and gas production

Company taxes payable on profits from UK oil and gas production	2009-2010	2010-2011
Ring fence corporation tax main rate	30%	30%
Supplementary charge	20%	20%
Petroleum revenue tax	50%*	50%*

*Petroleum Revenue Tax is deductible in computing profits chargeable to ring fence corporation tax and supplementary charge.