

The Commonwealth Association of Tax Administrators



cata
Newsletter

Freedom and football: South Africa's long walk to the World Cup
Australia: E-Mag right on target **Malaysia: Exchange of information**

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Editorial

Wow! Where does one start? To begin with perhaps it is important to introduce myself. My name is Tutu Pitso Bakwena. My country of birth is Botswana and I was born 37 years ago in a small village just west of the capital Gaborone. I have worked in tax administration for the last 15 years. My service began immediately after graduating from the University of Botswana in 1995. Little did I know then that the next 15 years would take me on this roller coaster ride that has ended me up in London. I worked in the then Department of Taxes before it (together with the Customs and Excise Department) became what is now the Botswana Unified Revenue Service in 2005. In 2007 I took up a position at the Secretariat of the Southern African Development Community (SADC) based in Gaborone where I was tasked with advancing the Community's regional integration agenda on tax matters. On completion of that undertaking I returned to the Revenue Service before I was offered the position of Executive Director of CATA. To those I have worked with, both at the Revenue Service and at SADC, I wish to relay my greatest gratitude for making what seemed insurmountable at times, merely a walk in the park.

So here I am now with big boots to fill. Believe me, Mr Zahir Kaleem's boots are not by any stretch of the imagination easy boots to fill. I find myself following on in the footsteps of a man who has become all but legend in Commonwealth tax circles. To this I raise my glass to toast a man who for 14 glorious years has, virtually single-handedly overseen the growth of CATA, both in terms of programmes and in terms of its visibility. He will be sorely missed in his retirement. However, and to this I speak to Mrs Kaleem, please note that one does not acquire so much knowledge and experience and then rest away at home. CATA can learn a thing or two from his experience and where necessary we shall call upon this experience to wade us through the murky waters of tax administration.

Going forward, I don't expect there to be too many changes to the way CATA has been run and organised. However, one must recognise that in these economically challenging times there is a need to change. Change must be seen in our attitude towards what CATA stands for and change in the way CATA does things. I often say that relevance is the key solution to our continued existence as the largest tax organisation in the world. Our mere size is not in itself enough to keep us going. We are the largest tax organisation the world because of numbers. This assertion must be supported by equal participation by our members in all CATA activities and indeed in its funding. I know that these are trying times for all of our Governments and therefore greater justification must be made for the annual subscriptions that keep CATA afloat. Since Commonwealth Ministers of Finance gave their support to the formation of a Commonwealth tax administration association in 1977 their support for CATA remains unwavering. However, as CATA we must be equal to the support that they have given us over the years. In this light we must and need to be relevant; relevant to the needs of our tax administrations and relevant to the current realities of tax administration. As members we must therefore actively participate at all levels to ensure that what brought our organisation into existence those many years ago is truly what we are achieving.

I hope my first input into the newsletter is not enough to make you all sick but I stand guided by all CATA members in doing what you think is best for YOUR CATA. My promise to you is to serve you to the best of my ability in making CATA what you want it to be. So, as we go forward in our endeavours, let us put our heads together to improve the great strides that CATA has made over the years as we work towards 40 years of our existence.

[Visit CATA website at www.cata-tax.org](http://www.cata-tax.org)

[For all information about activities and forthcoming events](#)

CATA News

RESIGNATION OF CATA CHAIRMAN

We have recently learnt of the resignation of our Chairperson, Mr. Jones Zimba after having left the Malawi Revenue Authority. This is sad news as we approach the 31st Annual Technical in Abuja, Nigeria. As the Management Committee has not yet met and details of the resignation are still fresh, no further details can be provided at this stage. However, the CATA Constitution is very clear on resignations of Members of the Management Committee and appropriate action shall be taken to normalise the situation.

THIRTY-FIRST CATA ANNUAL TECHNICAL CONFERENCE 2010

Arrangements for the 31st CATA Annual Technical Conference in Abuja, Nigeria from 10 to 16 October 2010 are making good progress.

The Conference will be held at the Transcorp Hilton Hotel in Abuja. The following two topics will be discussed at the Conference/Workshop:

1. **Taxation of Specialised Sectors.**
2. **Exchange of Information – Domestic and International.**

Delegates planning to attend are again reminded to register as soon as possible.

ACHIEVING MANAGEMENT POTENTIAL (AMP) 2010

The Achieving Management Potential training programme for senior tax officials commenced at the HMRC Staff College, Lawress Hall, Lincoln, United Kingdom on 2 August 2010. The residential period of the programme ends on Friday, 10 September 2010. The names of the participants who are attending this year's course are as follows:

- 1) **Osbert Tuombale (Namibia)**
- 2) **Purity Kamau (Kenya)**
- 3) **James Mburu (Kenya)**
- 4) **Lydia Magama (Botswana)**
- 5) **Peter Shewiyo (Tanzania)**
- 6) **Gerard Mukubu (Rwanda)**
- 7) **Ernest Karasira (Rwanda)**
- 8) **Ikechi Lawrence Welebe (Nigeria)**
- 9) **Dick Ode Irri (Nigeria)**
- 10) **Bitrus Dauda Dikko (Nigeria)**
- 11) **Usman Adamu (Nigeria)**
- 12) **Ndudi B Okafor (Nigeria)**
- 13) **Garba Abba Dalhatu (Nigeria)**
- 14) **Theresa Femi-Davies (Nigeria)**

COMMONWEALTH TAX INSPECTORS COURSE (CTIC) 2010

The Commonwealth Tax Inspectors Course commenced concurrently at Lawress Hall, Lincoln, United Kingdom on 2 August 2010. The names of the participants attending this year's course are as follows:

- 1) Thokozani Namatumbo (Malawi)
- 2) Akonda Chirambo (Malawi)
- 3) Beatha Nefungo (Namibia)
- 4) Francis Fiekfu (Cameroon)
- 5) Marang Pillar (Botswana)
- 6) James Robert Msanzya (Tanzania)
- 7) Lal Ratnayake (Sri Lanka)
- 8) Seraphine Mukantabana (Rwanda)
- 9) Jean de Dieu Ruvuzacyuma (Rwanda)
- 10) Edward Adeosun (Nigeria)
- 11) Haruna Hamidu (Nigeria)
- 12) Stephen Adeyemo (Nigeria)
- 13) F S Nwodo (Nigeria)
- 14) Umar Faruk Gambo (Nigeria)
- 15) Salisu S Bawa (Nigeria)

APPOINTMENTS

Australia: Regional Director

Ms Pam Mitchell, Senior Director/International Relations, Large business & International, Australian Taxation Office has replaced Ms Sarah Safransky, Executive Advisor to Second Commissioner Compliance, Bruce Quigley.

Australia: Country Representative

Mr John Box, Senior Assistant Commissioner at the Australian Taxation Office has replaced Mr Bruce Quigley, Second Commissioner Compliance.

Australia: Country Correspondent

Mr Brendan Shannon, International Relations, Large Business & International, Australian Taxation Office has replaced Ms Sarah Safransky, Executive Advisor to Second Commissioner Compliance Bruce Quigley. Ms Safransky was also the Regional Director for the Pacific Region.

New Zealand: Country Correspondent

Ms Patricia McArdle, Advisor to Deputy Commissioner Carolyn Tremain has replaced Ms Nicola Wilson-Kelly at the Inland Revenue.

COMSEC News

Freedom and football: South Africa's long walk to the World Cup



22 June 2010

The Commonwealth Secretariat's Political Affairs Officer for Africa assesses the impact of the tournament – now and in the future – on the country.

A mere sixteen years after its political transformation, South Africa has proven to the world just how far it has walked the path of freedom. From the lows of its sporting isolation at the height of the apartheid era – under which the Gleneagles Agreement reinforced Commonwealth member states' opposition to racism – to the lofty heights of being a football World Cup host, the walk has not been an easy one. The path has been, and continues to be littered with enormous developmental challenges, among them tackling unemployment, crime and the poverty burden.

One of the tangible benefits of hosting the World Cup is the boost to sports development. The importance of sport as an effective instrument for social and economic development has been recognised across the Commonwealth membership. In World Cup terms, as the world's most popular sport, the global showcase has focused attention on the benefits football brings to millions of young people, the health benefits of physical activity, its educational benefits such as the development of leadership skills and above all, bringing diverse people together, unified in a common cause. Indeed, through its hosting of the 2010 World Cup, South Africans have – now more than ever – exemplified the spirit of the motto on its national coat of arms – *!ke e:ǀxarra//ke*, which in the Khoisan language means 'diverse people unite'.

South Africa's policy on sports was clearly demonstrated through its hosting of the first international sporting event in 1995 by co-staging and winning the Rugby World Cup. They followed it up the next year by hosting and winning Africa's football championship, the African Nations Cup, and then hosting the Cricket World Cup in 2003, which was won by Australia. The pre-cursor to the 2010 FIFA World Cup, the Confederations Cup, gave the nation (and its international visitors alike) a foretaste of what was to come.

Former President Nelson Mandela played an instrumental role in inspiring the national team to win the 1995 Rugby World Cup – as depicted in the Hollywood film *Invictus* – and a crucial role in securing the 2010 World Cup for South Africa and the African continent. South Africa has already confounded the critics and pulled off a massive logistical feat, spending US\$5 billion constructing ten new stadiums and improving infrastructure, including the completion of the first high-speed train network on the continent. Some analysts predict the total gross economic impact will be US\$12 billion.

In looking back at this World Cup, analysts will sketch a tale of African solidarity; many will weave a moving story of the sacrifices that the peoples of the African continent made, to ensure that the apartheid crime against humanity became a thing of the past. It will depict the contributions of

freedom for which so many on the African continent have fought a valiant struggle. Hosting the tournament may well come to be viewed as the crowning moment of Mr Mandela's career and the pivotal event that demonstrates that the model of reconciliation he fought for has worked.

When both the final whistle and the last vuvuzela are blown at the final on 11 July and the carnival-like atmosphere dies down, the reality of life in South Africa will revert to normal. The South African Government will push ahead in extracting the benefits from the World Cup to address its five priorities, namely: education, health, rural development, job creation and crime reduction.

While the tangible benefits of the World Cup – new infrastructure, sports development initiatives and a boost to tourism – will long be felt, in looking forward to the future, South Africans from all walks of life may also reflect on the intangible benefits – a boost to national (and continental) self-esteem brought about through a public relations exercise of incomparable global magnitude and, above all, the forging of a unified sense of purpose. In doing so, they may pause to take heed of the words of former President Mandela in his autobiography *Long Walk to Freedom*:

"I have walked that long road to freedom. I have tried not to falter; I have made missteps along the way. But I have discovered the secret that after climbing a great hill, one only finds that there are many more hills to climb. I have taken a moment here to rest, to steal a view of the glorious vista that surrounds me, to look back on the distance I have come. But I can rest only for a moment, for with freedom comes responsibilities, and I dare not linger, for my long walk is not yet ended."

Linford Andrews grew up in Cape Town and is Political Affairs Officer for Africa at the Commonwealth Secretariat.

Commonwealth Secretary-General calls for support to Pakistan over floods disaster



2 August 2010

"I hope the Commonwealth and the wider international community will come forward to assist Pakistan in these trying circumstances" - Kamallesh Sharma.

Commonwealth Secretary-General, Kamallesh Sharma, has appealed to the international community to come to the aid of Pakistan in the wake of the worst monsoon floods in living memory that have killed over 1,000 people and affected one million in the north-west of the country.

In a letter to Pakistan Prime Minister Yousaf Raza Gilani, Mr Sharma said: "We have watched with deep distress the appalling loss of life and the continued extensive dislocation which have come in the wake of the flooding in the north-west of the country, and send our sincere sympathy and good wishes."

He added: "I hope the Commonwealth and the wider international community will come forward to assist Pakistan in these trying circumstances."

The Secretary-General said the Commonwealth expresses solidarity with the government and people "at this extremely difficult time."

"We also salute the courage of the Pakistani people in the face of such adversity."

Message from the office of the Executive Director

As we prepare for the forthcoming Technical Conference in Abuja, Nigeria it is only appropriate that as we go on our daily routines we spare a moment to reflect and afford a moment of prayer for the people of Pakistan as they are forced to endure hardship and turmoil caused by the recent flooding in the country. The flooding that has ravaged the north-west part of the country has left unprecedented damage and loss of precious lives. In appeals for aid, UN Secretary General described the floods as '*heart wrenching*' as he bore witness to the destruction they have caused in a recent visit to the country.

This year's Technical Conference will not be blessed with the presence of Pakistan. This is understandable in the wake of the disaster. We do however hope that they will be able to participate in next year's conference and as always, provide new input and ideas to the development of tax administration in the Commonwealth.

Members News

Australia

Country Correspondent
Mr Brendan Shannon

E-Mag right on target

Issue three of the electronic magazine **Targeting Tax Crime** <http://www.ato.gov.au/download.asp?file=/content/downloads/snc00251208.pdf> (6.26mb) was launched by the Australian Taxation Office in August with a strong focus on the achievements of Project Wickenby almost five years on. The magazine explores some of the consequences for individuals when they get caught up in illegal tax schemes and covers the latest information about tax evasion, avoidance and crime and includes interesting case studies of the risks and consequences for those who think they can avoid their tax obligations.

It also highlights what law enforcement agencies are focusing on in the fight against tax crime and the improved data collection capabilities they use to catch people who avoid paying their fair share. Contributions from some of Australia's leading figures in the field also feature, including a guest commentary from Dr Niv Tadmor who is a partner from law firm Clayton Utz. Dr Tadmor discusses, among other things, the human dimension of voluntary disclosure and the cultural shift in attitudes towards tax compliance.

The primary audience for the magazine is tax intermediaries – those who are the key community influencers on tax issues. However, for issue three the promotional strategy has broadened to include other potentially interested readerships, such as crime and justice academics and industry bodies and business groups.

Canada

Country Correspondent
Ms Debra Shalla



The Canada Revenue Agency's review activities

Canada's tax system is based on self-assessment, which means that individuals complete their tax return to report their annual income and to calculate whether they owe tax or will receive a refund.

Each year, the Canada Revenue Agency (CRA) conducts a number of review activities that promote awareness of and compliance with the laws it administers. These reviews are an important part of the compliance activities undertaken to maintain the integrity of and Canadians' confidence in the Canadian tax system.

Review programs promote client education by identifying common areas of misunderstanding. Analysis of results and feedback from clients are used to review and improve the guides and forms the CRA provides to the public.

Completing an individual income tax and benefit return can sometimes be complex.

The CRA does several reviews to make sure that income, deductions, and credits are accurately reported and filed. There are four main review programs:

- Pre-assessment Review Program
- Processing Review Program
- Matching Program
- Registered Retirement Savings Plan (RRSP) Excess Contribution Program

Canadians file about 25 million individual income tax and benefit returns each year, and all are electronically analyzed. Based on this analysis, certain returns are selected for review because they are high risk; others are selected as part of a random sample used to measure noncompliance for all taxpayers.

Under the **Pre-assessment Review Program**, the CRA electronically analyzes returns to identify situations that represent a higher risk of tax loss. Various deductions and credits are reviewed and contact with the taxpayer may be made by mail before a notice of assessment is issued.

After a notice of assessment is issued, returns go through the **Processing Review Program** where they are reviewed to make sure that certain claimed deductions and credits are accurate and are supported by documentation. The CRA may also ask you for proof of payment. In specific instances, you may be asked to send additional information to support your claim, such as cancelled cheques or bank statements.

When a return is selected for review, the taxpayer is notified by mail. If a review identifies an error, the taxpayer will receive a new notice of assessment. If no error is identified, the taxpayer will receive a letter stating that no adjustment is necessary.

The **Matching Program** ensures that information slips filed by a third party, such as an employer or a bank, correspond to the information reported by the taxpayer. Payers and financial institutions submit to the CRA a copy of all slips they issue to taxpayers, which the CRA cross-references with returns after notices of assessment are issued.

All returns are matched to third-party information slips. If there is a discrepancy between the income reported by a taxpayer and the income reported by a third party, the CRA may contact the taxpayer by mail or telephone for clarification. If the Agency determines that an adjustment is required after completing the review, the CRA will send a new notice of assessment to the taxpayer.

The **RRSP Excess Contributions Review Program** ensures that taxpayer records are correct and that any required T1-OVP, *Individual Tax Return for Excess RRSP Contributions*, is filed by taxpayers. Through this program, the CRA identifies taxpayers with potential RRSP excess contributions and communicates with them to review their situation. If the CRA determines that tax is applicable after completing the review, the CRA will send a notice of assessment to the taxpayer.

Individuals will have RRSP excess contributions in 2009 if their unused RRSP contributions for 2009, plus any contributions made from March 3, 2009, to December 31, 2009, exceed their RRSP deduction limit shown on their most recent notice of assessment. RRSP excess contributions may be subject to a 1 % tax per month.

For the 2008 tax year, about 1.2 million returns were reviewed using the Pre-assessment Program and the Processing Review Program. The CRA also reviewed about 2 million returns using the Matching Program. Approximately 68,000 returns were reviewed under the RRSP Excess Contributions Review Program.

For more information on the Pre-assessment Program, the Processing Review Program, the Matching Program and the RRSP Excess Contribution Review Program, go to www.cra.gc.ca/reviews.

Cyprus

Country Correspondent
Mrs Athina Stephanou



Elimination of Double Taxation

Article 23 of OECD Model on Income and Capital deals with juridical taxation. That is taxation of same income, same period, of same person in different countries. For example income from abroad is earned and taxed in Cyprus in tax year 2008. Irrespective of when it is taxed in the foreign country, credit will be given for the tax paid abroad on the specific income that is taxed in Cyprus in 2008. (para 32.8 Page 268 Model 2008). Credit is given after foreign tax has been paid. Elimination of double taxation is achieved either by exemption in the country of residence and taxation only in the country of source or with the credit of foreign tax by the country of residence.

The credit of tax cannot exceed the tax paid in the source country and cannot exceed the full tax in the country of residence, in case of full credit or the tax on same income in the country of residence in the case of ordinary credit. Furthermore the credit of tax cannot exceed the amount specified in the DTT. For example a DTT provides that withholding tax on interest is 10%. The credit cannot exceed 10%.

Where the provision of the DTT provides for an ordinary credit s.35 of Income Tax Law (ITL) specifies how to calculate the credit to be given. In accordance with s.35 “the amount of credit shall not exceed the amount which would be ascertained if the amount of the income were computed in accordance with the provisions of this Law and charged to tax at a rate ascertained by dividing the tax chargeable (before any credit is given under DTT) on the total income of the person entitled to the income, by the amount of his total income”. Total income means total taxable income.

Total income includes worldwide income but does not include income exempt by either domestic law or by the treaty or income that is taxed **only** in the state of source. If the treaty provides, income exempt by the treaty but taxed under domestic law, can be included in total income for the purpose of ascertaining the tax on remaining income (exemption by progression).

In computing the amount of the income no deduction shall be allowed in respect of foreign tax whether in respect of the same or any other income. Likewise where the tax chargeable depends

on the amount received in the Republic, such amount shall be increased by the appropriate amount of the foreign tax. (s.35 (5) (a) (b) ITL)

Income that is exempt under the treaty but taxed under domestic law, but is exempt in both the country of source and country of residence as a result of different interpretation of income in domestic laws, then the country of residence does not have to exempt the income.

Furthermore if under the domestic laws of the two states the interpretation of income differs and the country of residence considers that under the treaty no credit or different amount of credit must be given, to avoid any double taxation, the country of residence needs to follow the interpretation of country of source.

If there is a difference of opinion on the interpretation of income this is solved by Mutual Agreement Procedure.

If there is no DTT between Cyprus and another state s.36(1) of ITL provides for an ordinary credit and s.36(2) of ITL that the credit is calculated in the same way, so far as practicable, as described in s.35.

In the case of dividends received, **if a DTT** provides that foreign tax not chargeable directly or by deduction on the dividends has to be taken into account in considering whether any credit is to be given against tax in respect of such dividends e.g. underlying tax, (tax paid on profits by company paying the dividend), s.35(5)(c) of Income Tax Law (ITL) specifies that the amount of income shall be increased by the amount of the foreign tax not so chargeable, which has to be taken into account in computing the amount of the credit.

Irrespective of provisions 35(5) (a), (b), (c), there shall be deducted from the deemed amount of the foreign income any amount by which the foreign tax exceeds the respective credit.

If dividends are received from an EU resident company then credit is given in line with the EU parent-subsidiary directive which was transposed into domestic legislation with effect from tax year 2005 **and not per DTT as EU aquis is superior to the treaty**. In Cyprus, tax year is same as calendar year.

S.36(7) of ITL provides “Notwithstanding any other provisions of this Law, when a company which is resident in the Republic or a company which is not resident in the Republic but has a permanent establishment in the Republic, receives dividends from a company which is **resident in another member state** and such dividends are subject to tax under this Law, the tax on such dividends paid in the other member state, which is given as a credit against the tax payable under this law, includes the fraction of the corporation tax related to those profits of the dividend paying the company and any lower tier subsidiary of the dividend paying company, out of which the dividend is paid.

The credit in respect of the corporation tax on the profits of the dividend paying company is not given where the distribution of the profits in the form of dividend is made by reason of liquidation”.

Per s.3(9) of Special Contribution for Defense Law (SCDL), relief of foreign tax from SCD on income subject to this Law, that is investment interest and dividends, is given per s.35 and s.36 of ITL. So above applies to income subject to SCD. If income, that is rents, is subject to both IT and SCD then credit is given against both taxes, if income tax is not sufficient for relief from double taxation.

Bear also in mind that as regard our domestic legislation dividends are exempt from income tax. Dividends are also exempt from SCD unless the company paying the dividend engages directly or indirectly more than 50% in activities which lead to investment income **and** the foreign tax burden

on the income of the company paying the dividend is substantially lower than the tax burden of the resident company or the permanent establishment of the non-resident company receiving the dividend. It has been decided by the Director of the Department that substantially lower means the ratio of (foreign tax / taxable income) is less than 5%.

Special Contribution for defense on dividends in Cyprus is at a flat rate of 15% and on investment interest is at a flat rate of 10%. Investment interest is exempt from ITL where as business interest, (as a result of trading), is exempt from SCD but subject to 10% Corporation Tax.

Section 35(7) of Income Tax Law provides that “where the DTT provides that, in relation to dividends of some classes but not in relation to dividends of other classes, foreign tax not chargeable directly or by deduction in respect of dividends is to be taken into account in considering whether any credit is to be given against tax in respect of such dividends and dividends are paid which are not of a class for which such provision has been made in the DTT, then if the dividends are paid to a company which controls, directly or indirectly, not less than 50% of shares with voting rights of the company paying the dividends, credit shall be allowed as if the dividends were of a class for which such provision has been made in the convention”.

Section 35(9) of ITL provides that “claims for an allowance by a way of credit shall be made not later than six years after the end of the year of assessment and in the event of any dispute as to the amount allowable, the claim shall be subject to objection and recourse in like manner as an assessment”.

For claims for an allowance by a way of credit under s.36(1) of ITL i.e. where there is no DTT, s. 36(3) of Assessment and Collection of Taxes Law (ACTL) provides that “where under the provisions of the Law imposing the tax a claim for relief in respect of tax paid or payable in a reciprocating country could be made, such claim shall be made not later than six years after the end of the year of assessment to which the claim relates or within six months from the date on which the relevant amount of tax in the reciprocating country has been ascertained”.

In practice no test of reciprocity is made for the grant of foreign tax relief where a DTT has not been concluded.

Section 35(10) of ITL provides that if in the case of tax adjustments in either state party to a DTT, the credit of tax is rendered excessive or insufficient as a result of any adjustments, any assessments and claims must be made within six years from the year in which the adjustments were made.

Per s.35(8) a person can elect for a specific tax year not to claim the foreign tax credit relief under a treaty.

A substantial number of double tax treaties of Cyprus with other states provide for tax sparing credits. Some treaties provide for tax sparing credits in favour of Cyprus, (i.e. tax sparing credit given by other state), some in favour of both states. A tax sparing credit is a tax incentive given to foreign investors for the purpose of attracting foreign investment.

Tax sparing provisions can either take the form of a credit where although income in source state has been exempt or taxed at a reduced rate, the country of residence gives credit the tax that the source state could have imposed in accordance with its general legislation or give credit the amount limited by convention or an amount fixed at a higher rate as specified in the treaty as a counterpart for the tax reduction in the state of source, or the state of residence exempts the income which has benefited from tax incentives in the state of source. (para 74 page 281 OECD Model 2008)

Considering that since tax year 2003 only the gains from the sale of immovable property in Cyprus and the gains from the sale of shares of a company not quoted in a recognized stock exchange with immovable property in Cyprus and only to the extent of the immovable property, are subject to Capital Gains Tax (CGT), i.e. foreign immovable property is not under the scope of domestic CGT law, there is no claim of double tax relief for foreign tax paid on the capital profit made.

Double Tax Treaties made by Cyprus can be found on our website which is www.mof.gov.cy/ird Our Laws can also be found on the same website but these are only in Greek.

Other Matters

By order of the Minister of Finance as from 1.1.2010 the interest rate charged by government on any amounts due, including tax due is 5.35%. At the beginning of every year the Minister of Finance decides the interest rate to be applied, on any amounts due to the government.

Malaysia

Country Correspondent
Mdm Ruedah Karim



EXCHANGE OF INFORMATION

The Government of Malaysia, in its effort to strengthen its commitment to implement the standards of transparency and exchange of information, has embarked on measures to improve its tax treaties with treaty partners. The standards have listed several requirements to be fulfilled by jurisdictions such as:

- Information exchanged on request where it is “foreseeably relevant” to the administration and enforcement of the domestic laws of the treaty partner;
- No restrictions on exchange caused by bank secrecy or domestic tax interest requirements;
- Availability of reliable information and powers to obtain it;
- Respect for taxpayers’ rights;
- Strict confidentiality of information exchanged.

The measures taken by Malaysia include amending the legislations which are intended to facilitate the exchange of information. The amended legislations are:

- Section 28B of Labuan Financial Services Authority Act 1996 to widen the scope of the information to be exchanged
- Section 22 of Labuan Business Activity Tax Act 1990 to allow exchange of information for Double Taxation Agreement (DTA) purposes

Other measures adopted by Malaysia to fulfil its commitment are the introduction of Income Tax (Request for Information) Rules 2009 and the insertion of Paragraphs 4 and 5 of Article 26 from the OECD Model Tax Convention on Income and on Capital 2005. The introduced rules serve as a

blanket authorization to empower the Director General of Inland Revenue to obtain information from banks and financial institutions. The insertion of the paragraph 4 into the existing DTAs signifies the commitment of Malaysia towards a level playing field in the prevention of fiscal evasion with respect to taxes on income. In addition, the insertion of the paragraph 5 is to ensure that the limitations of Paragraph 3 shall not hinder Malaysia from exchanging information held by banks, other financial institutions, nominees, agents and fiduciaries as well as ownership information with its treaty partners, thus reflecting its commitment in implementing the standards of transparency and exchange of information. To date, Malaysia has signed Exchange of Information Protocols and new DTAs with United Kingdom, France, Germany, Netherlands, Ireland, Brunei, San Marino, Japan, Australia, Senegal, Kuwait, Turkey, Seychelles, Belgium and Laos. These measures have moved Malaysia to the category of jurisdictions having substantially implemented the internationally agreed tax standard with regard to the exchange of information.

Malta

Country Correspondent
Mr Patrick Mifsud

The direct taxation scene in Malta continued to be dynamic throughout the first half of 2010 with more new incentives planned for the second half of 2010 and beyond. The following is a summary of recent developments.

Taxation of Value Shifting – Anti-abuse provisions

When new shares are issued to existing or new shareholders in a proportion different to that previously held by the shareholders, the value of the holding in a company, and therefore the value of the assets owned by a company, shifts from one shareholder to another. Income tax legislation has been amended such that such value shifts are now taxable when the company is a property holding company.

Foundations

In recent years Maltese legislation has been active in the sector of fiduciary obligations, particularly those resulting from the creation of trusts and foundations. The first legislation on foundations was incorporated in the Civil Code on 1 April, 2008 while the taxation of foundations has now been regulated in the Foundations (Income Tax) Regulations, 2010.

These regulations establish that for income tax purposes a foundation is to be treated in the same manner as a company, but it may also elect to be taxed similarly to trusts.

Public Foundations that are enrolled as voluntary organisations, or foundations that are not enrolled but are established for the achievement of a social purpose and are non-profit making, will only be treated as companies if they opt to be so treated.

Providing a Better Work Environment for Disabled Employees

Employers have been granted a deduction for tax purposes, over and above the normal deduction for capital allowances, in respect of expenditure incurred in the removal of physical barriers and the installation or modification of equipment and devices for the benefit of disabled employees or for the training of such employees.

Childcare Facilities

Government is committed to continue to improve the work-life balance of employees and also to increase the number of women in the workforce and is therefore making continuous efforts to provide tax incentives in this regard.

As part of this ongoing process, a new deduction for tax purposes, over and above any capital allowances already available, has been granted to employers who incur expenditure in the construction of childcare facilities at the workplace, the conversion of existing structures into childcare facilities, and the acquisition of childcare equipment.

Administrative Changes

The Board of Special Commissioners, which heard cases where an appeal was made by taxpayers following a refusal issued by the Inland Revenue, has been replaced by an Administrative Review Tribunal falling under the jurisdiction of the Law Courts of Malta and presided over by a magistrate. The change is effective from 1 June 2010.

Double Taxation Treaties

A new double taxation agreement between Malta and Libya has been issued.

Mauritius

Country Correspondent
Mrs Vaydavadee Ramdin



A AMENDMENTS TO OUR INCOME TAX LEGISLATION

- (i) Payment of tax by corporations holding a Category 1 Global Business Licence**
As from 1 July 2009, a corporation holding a Category 1 Global Business Licence (GBL1 Co) which prepares its financial statements in US dollar, Euros or GB pound sterling has to submit its APS Statement and return of income and pay the tax specified therein in that currency.
- (ii) Change of fiscal year to calendar year basis**
As from 1 January 2010, the fiscal year is changed from 1 July to a calendar year basis (i.e. 1 January to 31 December).
- (iii) Royalties payable to a non-resident**
As from 1 January 2011
 - Where royalties are payable to a non-resident, the income tax to be deducted under the Tax Deduction Scheme (TDS) shall be at the rate of 15% or at the rate specified under the Double Taxation Avoidance Agreement which is in force between Mauritius and the foreign country where the payee is resident, whichever is the lower.

- Where income tax is deducted from the royalties in an income year the amount of tax deducted shall be deemed to be the final amount of tax payable in respect of the royalties for that income year.

(iv) Exchange of information with a foreign country

The Minister of Finance and Economic Development may enter into an arrangement with a foreign country for the exchange of information. The exchange of information may cover any person not resident in Mauritius.

(v) Assistance in the collection and recovery of foreign tax

The Minister of Finance and Economic Development can enter into arrangements with the Government of a foreign country for the purposes of providing assistance in the collection and recovery of foreign tax.

(vi) Solidarity levy on telephony service providers

- A provider of public fixed or mobile telecommunication networks services (including information and communication services such as value added services and mobile internet, but excluding provider engaged exclusively in the provision of internet services or internet telephony services or international long distance service) is liable to pay to the MRA a solidarity levy calculated by reference to its book profit and turnover (i.e. the gross receipts derived from all activities) in respect of the preceding year at the rate of 5 per cent of the book profit and 1.5 per cent of the turnover of the operator in respect of each of the years of assessment commencing on 1 July 2009 and 1 January 2010.
- No levy is payable in a year where, in the preceding year the operator incurred a loss; or the book profit of the operator did not exceed 5 per cent of its turnover.

(vii) Corporate Social Responsibility (CSR)

As from 1 July 2009

- Every company has to, set up in every year, a Corporate Social Responsibility Fund “CSR Fund”, equivalent to 2 per cent of its book profit derived during the preceding year to implement an approved programme by the company, or an approved programme under the National Empowerment Foundation, or to finance an approved Non Government Organisation (NGO).
- Where the amount paid out of the CSR Fund is less than the amount provided under the Fund, the difference has to be remitted to the MRA at the time the company submits its return of income.
- CSR is not applicable inter-alia to
 - a company holding a Category 1 Global Business Licence;
 - a company holding a banking licence under the Banking Act, in respect of its income derived from its banking transactions with non-residents and corporations holding a Global Business Licence;
 - a non-resident *société*, a trust or a trustee of a unit trust scheme.

B OTHERS

(i) Global Forum Peer Review on exchange of information and transparency

- Mauritius has been selected as a member of the Peer Review Group (consisting of 30 members) set up by the OECD Global Forum on exchange of information and transparency.
- Mauritius was subject to a combined Phase 1 and 2 review from 14 to 18 June by assessors from US and Malaysia.

- (ii) **Tax Treaty Negotiations**
- **Treaties upgraded or being upgraded with respect to exchange of information with:-**
UK, France, Italy, Belgium and Seychelles.
 - **Treaties negotiated or being renegotiated with:-**
Germany, South Africa and Sweden.
 - **New treaties finalised / being negotiated with: -**
Egypt, Kenya, Saudi Arabia, Yemen, Ghana, Canada, Greece, Czech Republic, Iran, Burkina Faso and Algeria.
- (iii) **Tax Information Exchange Agreements (TIEA)**
- **TIEA finalised or being negotiated with:-**
Norway, Denmark, Finland, Faroe Islands, Greenland, Iceland and Australia.
- (iv) **Memorandum of Understanding (MOU)**
- A Memorandum of Understanding (MOU) was entered into on 3 June 2010 by the MRA and the Financial Services Commission (FSC), the regulator of the Global Business Sector.
 - The MOU sets out the framework for effective exchange of information between the 2 Authorities for exchange purposes.
- (v) **Study Tours**
- The MRA hosted the SADC Risk Management Course from 22 to 26 February 2010 in line with the process of creating a Southern African Development Community (SADC) region-wide Customs capacity building and training network.
 - On 6th April 2010, the MRA hosted the Cape Verde delegates who came to Mauritius to study the business environment reforms. The main objective of the visit was to learn and study the Mauritian economy so as to enable them to devise a package of reforms that would help to improve Cape Verde's fiscal reforms, business environment, financial system development including the development of the small and medium enterprises.
 - A SADC delegation comprising of seven members and headed by a Senior Programme Officer of Customs paid a one-day visit to Mauritius on 18.05.10 for an eventual time-frame for the launching of the SADC Customs Union and with the primary objective of seeking the views of diverse bodies pertaining to the actual state of play of the SADC Customs union and the hurdles that were impeding its way.

Nigeria

Country Correspondent
Mr Malik Tukur



Editors Note:

As this is a long news article it will be presented over the next three editions of this Newsletter. This is part 2 of the article. Part 1 may be found in the June 2010 CATA Newsletter.

OVERRIDING PHILOSOPHY

2.1 Definition of Taxation and Revenue and the Importance of Taxation in Revenue Generation

The National Tax Policy is a document, which is essentially about taxation and other ancillary matters connected with taxation. It is therefore a proper premise to begin with a discussion on what constitutes taxation and distinguish it from revenue, while situating its role in the context of revenue generation.

Taxation is basically the process of collecting taxes within a particular location. In this regard, tax has been defined as "a monetary charge imposed by the Government on persons, entities, transactions or properties to yield revenue". It has also been defined as "the enforced proportional contributions from persons and property, levied by the State by virtue of its sovereignty for the support of Government and for all public needs".*

Taxes may also be defined as a "pecuniary burden laid upon individuals or property to support government expenditure. A tax "is not a voluntary payment or donation, but an enforced/compulsory contribution, exacted pursuant to legislative authority" and is "any contribution imposed by government", whether under the name of duty, custom excise, levy or other name. Taxes are therefore defined as a financial charge or levy imposed upon an individual or legal entity by a State or a component of the State. A tax is usually a monetary charge on a person's or entity's income, property or transaction and is usually collected by a defined authority at the Federal and State Level.

Taxes may be direct or indirect and may be imposed on individual basis, on entities, on assets and on transactional basis. In Nigeria, taxes are imposed on the following bases:

(i) On Individuals

1. Personal Income Tax – imposed on the income of all Nigeria citizens or residents who derive income in Nigeria and outside Nigeria.
2. Development Levy – a flat charge imposed on every taxable person typically within a State.

(ii) On Companies (Corporate Entities)

* Blacks Law Dictionary

1. Companies Income Tax – imposed on the profits of all corporate entities who are registered in Nigeria or derive income from Nigeria, other than those engaged in petroleum operations;
2. Petroleum Profits Tax – imposed on the profits of all corporate entities registered in Nigeria or who derive income from oil and gas operations in Nigeria;
3. Education Tax – imposed on all corporate entities registered in Nigeria;
4. Technology Levy – imposed on selected corporate entities (telecommunication companies, internet service providers, pension managers, banks, insurance companies and

other financial institutions within a specified turnover range) in Nigeria to support nationwide development of technology infrastructure and capacity.

(iii) On Transactions

1. Value Added Tax – imposed on the net sales value of non-exempt, qualifying goods and services in Nigeria;
2. Capital Gains Tax – imposed on capital gains derived from sale or disposal of chargeable assets; and
3. Stamp Duty – imposed on instruments executed by individual and corporate entities in Nigeria.
4. Excise Duty – imposed on the manufacture of goods within the Government territory collected by the Nigeria Customs Service
5. Import Duty - imposed on the import of goods into the Government territory collected by the Nigeria Customs Service
6. Export Duty – imposed on the export of goods outside the Government territory collected by the Nigeria Customs Service

(iv) On Assets

This includes taxes, such as property tax and other such taxes imposed on land or landed property.

The above list illustrates the different bases upon which taxes may be imposed, as discussed above.

Having provided a working definition of taxation, there is a need to differentiate taxation from revenue for a proper understanding of the role of taxation in the development of the Nigerian economy. This is particularly necessary, as there is usually the misconception that every form of revenue obtained from the public is a tax.

Revenue is defined as income received from all activities engaged in by the receiving entity.

In Governmental terms, revenue is the entire amount received by the Government from sources within and outside the Government entity. In Nigeria, Government revenue includes proceeds from sale of crude oil, taxes (including import and excise duties), penalties, interests, fines, charges and other earnings received from Government investments (bonds, dividends etc.), and the like. Revenue therefore encompasses the entire gamut of Government income, which is realised and available for expenditure by Government within a particular fiscal year or period.

Taxes are therefore, a sub-component of Government revenue, but they are not the only revenue item, which is internally generated by Government. Other sources of internal revenue include fees, rates, levies, fines, tolls, penalties and charges. Taxes are however a major contributor to Government revenue and ideally should be a major source of revenue.

In discussing taxation, there are usually four (4) “R”s linked with taxation and its purposes, namely:

- (i) Revenue – it is generally believed, that the main purpose of taxes is to raise revenue for use by Government;
- (ii) Redistribution – taxes may be used to transfer wealth from one section of the society to another;
- (iii) Re-pricing – taxes may be used to address externalities i.e. fiscal policies may be used to affect some area of the economy, which cannot otherwise be done; and
- (v) Representation – this is historical and implies that taxes are imposed to assure citizens of representation in the Governance of the society. In this regard, rulers impose taxes and citizens demand accountability in return.

Of the above, revenue generation is viewed as the primary and most important role of taxation. Taxation is however not only a means of revenue generation for Government, it can also be used to stimulate other sources of Government revenue and develop other areas of the economy from which Government can realise revenue.

2.2 Distinction between Taxation and other components of Revenue

A further but brief discussion may be necessary on the distinction between taxes and other internal revenue items such as charges, levies and penalties. Such other revenue items are not usually income or transaction based, but may be imposed for the use of utilities or infrastructure, or the right of way or simply imposed on certain category of persons, activities or persons within a particular area. As a definition of taxation has been provided above, a working definition of similar items is provided below;

(i) Charge – a charge is an amount paid for the use of goods, services or infrastructure provided by the Government;

(ii) Fee – a fee is a payment for the labour or services provided by a public body, such as a Government entity or agency. Examples of fees include payments for use of utilities and for obtaining Government documents such as passports and visas.

(iii) Fines – these are sums of money imposed by the Government as penalties for an offence or indiscretion by a person within the jurisdiction of the Government. Examples of fines include Court fines, fines imposed for traffic violations, unauthorised usage of Government property etc.

(iv) Penalty – this is similar to a fine and is usually an amount paid or forfeited for not meeting a particular condition or fulfilling an undertaking. Examples of penalties include payments for late filing of returns, or the late or non-provision of information at the time required to Government agencies.

(v) Rates – these are usually imposed on property or other assets and are usually determined with reference to the value of the property or in relation to some other thing. Examples of rates include tenement rates and rates on shops and kiosks.

The above is not intended as an exhaustive definition of the above concepts, but merely a working guide to enable a proper distinction between taxes and these other components of Government revenue. In practice, there may be little distinction between what constitutes a tax or charge or fine, as these concepts can sometimes be interchangeable, however, it is still necessary to keep in mind the distinction as set out above.

It has also been noted, that under the current structure of Government in Nigeria, taxes at the Federal and State level are usually more efficiently collected and utilised than most of the other revenue sources highlighted above. However, unlike other revenue items, tax officials do not exercise custody or control over taxes, which they collect and are not involved in the allocation or expenditure of the taxes.

This distinction between those who collect and those who utilise is important for control purposes and also because the manner of utilisation of revenues collected impacts directly on the ease with which such revenues are collected.

2.3 Sustainable Development and Healthy Competition as the overriding Philosophy of the National Tax Policy

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. In this context sustainable development refers to the pattern of revenue generation, which is able to meet the needs of the present generation of Nigerians, without negatively impacting the ability of future generations to meet their own needs. Generally, taxation is looked upon as a sustainable source of Government revenue due to the stability and certainty of the tax system. Unlike other sources of revenue, taxes are constantly available in so far as economic activity is carried on in the society. Recent developments in the global and local economy which have significantly impacted Government revenue has directed focus on taxation as a sustainable source of income.

It is in line with this that the National Tax Policy intends to create awareness on the importance of the role, which taxation can play in securing a stable flow of revenue for the Government. Nigeria is currently viewed as a mono-product economy with significant reliance on oil revenue due to historical developments in the Nigerian economy. However, taxation has been identified as an alternative to oil revenue and a more reliable source of

revenue. The tax policy shall therefore promote and encourage a shift in focus from non-tax revenue to tax revenue by Governments at all levels of the Nigerian economy.

Following from the above, the tax policy shall also promote and encourage healthy competition amongst tax and revenue authorities in Nigeria at the Federal and State level to facilitate rapid development of the tax sector in Nigeria. The focus of the competition shall be to maximise tax revenue within the jurisdiction of each Government in line with Constitutional and statutory provisions. It is expected that there would be increased collaboration as a result of the need to grow tax revenues by each level of Government and that improved collaboration would enhance tax yield – between and amongst Federal, State and Local Government authorities.

The concept of sustainable development and healthy competition shall be upheld as underlying philosophies in the development of Nigeria's tax system. It is however important to note that even as healthy competition is encouraged, this should be balanced with the need to have an effective and efficient tax system. Several jurisdictions have different ways of striking that balance. In Nigeria, that balance will be achieved by ensuring that those ratios that drive allocation of revenue collected from any source has built in mechanisms for rewarding and recognising arms of government that demonstrate effective utilisation of revenues, investment promotion, infrastructural development and economic activity amongst others.

2.4 The role of Fiscal Federalism

Fiscal Federalism is expected to play a major role in Nigerian tax policy and administration. In this regard, it is intended that the concept of Fiscal Federalism would be the common thread holding the National Tax Policy together. Nigerian tax policy would therefore uphold the application of fiscal federalism in the generation and expenditure of revenue by Government at all levels in accordance with the tenets of the Nigerian Constitution. There should be strict adherence to the tenets of fiscal federalism, which will include the basic understanding of which revenue functions and agencies are best centralised, which should run concurrently and which are better placed under the sphere of decentralised levels of Government.

In this regard, it is expected that the Tax Policy and other tax legislation, would resolve the issue, of who collects what, how it is collected, who controls what is collected, how is what is collected shared, who is responsible for spending what is collected and who is ultimately responsible and accountable to the tax payers for the revenue collected and its expenditure. The Tax Policy would provide a workable and acceptable platform which should be adopted by all tiers of Government for the proper application of the doctrine of separation of powers in relation to taxation. It is believed that adherence to these principles which would be discussed in the National Tax Policy would bring an end to disputes on the limits and powers of the tiers of Government in our Federation on fiscal matters. It will also bring clarity and certainty to tax administration and the entire Nigerian tax system.

In putting together a National Tax Policy, it was paramount to uphold the concept of Federalism, as practiced under the Nigerian Constitution. The present structure of taxation as stipulated by the Constitution of the Federal Republic of Nigeria reflects the three-tier system of Government at the Federal, State and Local Government levels. Under the Constitution, each tier of Government has been granted powers and responsibility in respect of the imposition and collection of taxes.

The 1999 Constitution of the Federal Republic of Nigeria places the responsibility for legislating on taxation on Income, Capital Gains and Stamp duty on the Federal Government. It also places collection of taxes on the concurrent legislative list, enabling the Federal Government to delegate administration or collection of taxes as it pertains to taxation or duty on a) capital gains, incomes or profits of persons other than companies; and b) documents or transactions by way of stamp duties, to the State Government.

At the same time, the constitution places the responsibility for legislating on the collection of taxes, fees and charges that can be collected by the Local Government on the State Governments. Other than that specifically stated in the exclusive legislative list, activities

that would ordinarily attract taxes, fees and charges (forms of levies) are placed squarely as part of the responsibilities of the Local Government Council – in the 4th schedule. To check on the possibility of multiple taxation, the constitution is clear on giving responsibility to the Federal Government in the case of State Governments, and to the State Government in the case of Local Governments. Extracts from Part D of the Second Schedule of the Constitution is presented below –

7. In the exercise of its powers to impose any tax or duty on -

(a) capital gains, incomes or profits or persons other than companies; and

(b) documents or transactions by way of stamp duties the National Assembly may, subject to such conditions as it may prescribe, provide that the collection of any such tax or duty or the administration of the law imposing it shall be carried out by the Government of a State or other authority of a State.

8. Where an Act of the National Assembly provides for the collection of tax or duty on capital gains, incomes or profit or the administration of any law by an authority of a State in accordance with paragraph 7 hereof, it shall regulate the liability of persons to such tax or duty in such manner as to ensure that such tax or duty is not levied on the same person by more than one State.

9. A House of Assembly may, subject to such conditions as it may prescribe, make provisions for the collection of any tax, fee or rate or for the administration of the Law providing for such collection by a local government council.

10. Where a Law of a House of Assembly provides for the collection of tax, fee or rate or for the administration of such Law by a local government council in accordance with the provisions hereof it shall regulate the liability of persons to the tax, fee or rate in such manner as to ensure that such tax, fee or rate is not levied on the same person in respect of the same liability by more than one local government council.

Taxation in its strictest sense is much broader than tax on income, capital gains and stamp duties. It also covers tax on property, consumption and products, hence the source of confusion and legal action which has not helped in the development of the tax regime in Nigeria. Pending cases in the Courts may help decide conclusively on related matters.

Suffice it to say that the prevailing position is that the Federal Government ultimately has overriding authority on taxation matters with some latitude to State Governments to introduce taxes, fees and charges (collectible by the Local Governments) in those areas that do not conflict with the position of the Federal Government.

Governments at both Federal and State Government levels have used the omnibus clause in section 4 of the Constitution to address gaps identified in the taxation system. Section 4 clearly gives the State Government the ability to enact laws in the interest of peace and good governance, but also the Federal Government the same powers to enact laws in the interest of peace and good governance, with the proviso that where there is a conflict, the laws enacted by the Federal Government prevail.

The Nigerian Constitution generally allows the state and local government's broad discretion in establishing fees, charges, or fines as previously defined. These revenues (fees, charges, or fines) should be seen as collected:

(1) for the privilege of engaging in certain activities; or

(2) in order to regulate a particular activity or

(3) for the purpose of imposing penalties.

In some cases--such as many user charges, admission fees, and some regulatory fees - the payment is closely linked to the cost of providing a particular service to an individual beneficiary or regulated party. In other cases--for example, certain environmental or regulatory fees--the payment may not be directly related to the costs associated with particular participants, but more loosely related to a discrete group of participants or an industry. In some situations, the payment may not relate to direct regulation per se, but rather to broad social costs associated with particular activities--for example, environmental mitigation fees. Ideally, some link must exist between these payments and the related cost to governments in order to avoid it progressing to a "tax." Fees or charges must be based on some established relationship between the amount of the payment, on the one hand,

and the costs associated with the regulation of an activity or the provision of a good or service, on the other. Similarly, penalties must be considered reasonable given the specific incident of noncompliance. If a sufficient relationship, or "nexus," is not established between the fee and costs of provision or regulation, the charge is considered a tax. This is an area for which legislation is required to conclusively make this distinction. An example of this difference lies in the distinction between the tenement rate and the property tax. They are not and should not be confused as one and the same thing. Tenement rates are typically linked to charges by the local authorities for the provision of public services to residential dwellings including multi storey, multi flat dwellings with multiple owners which may be owner occupied or rented. Property tax on the other hand is a tax based on the value of a house or other property. In Nigeria, the constitution provides for tenement rate, while Property tax is still a new concept in the tax system. Similarly, there is scope to have Environmental taxes, fees, charges or fines, none of which exist today.

In conclusion, the National Tax Policy recognises that the Federal Government through the National Assembly is empowered exclusively to impose taxes on incomes, profits and capital gains and on documents of corporate organizations and governments (stamp duties), while each State Government is empowered to collect those taxes from individuals resident in their respective States as may be determined by the National Assembly. The taxes imposed by the Federal government include Companies Income Tax, Personal Income Tax, Education Tax, Petroleum Profits Tax, Capital Gains Tax, Value Added Tax and Stamp Duties. Apart from income taxes, State Governments, through their Houses of Assembly are also empowered to impose, fees, levies and rates collectible by them and Local Government Authorities in their respective states.

Every person involved in tax administration, tax payers, Consultants, tax and revenue officials, all agencies of Government involved in raising and collecting Government revenue, those involved in Governance, the Executive, the Legislature, Judiciary and every Nigerian citizen or resident is hereby invited to subscribe to the National Tax Policy.

Singapore

Country Correspondent
Ms Angeline Chan



IRAS Launches New E-Stamping Website

IRAS has launched a new e-Stamping website (<https://estamping.iras.gov.sg>) where all individuals and businesses can e-Stamp their documents and pay stamp duty. Unlike the previous e-Stamping website, which was only available to law firms, secretariat firms and estate agencies and which requires a monthly subscription fee, the new e-Stamping website is free and allows all individuals and businesses to stamp documents electronically without the hassle of moving his legal/commercial documents to the stamp duty counters. The new website also allows registered users to view their past e-Stamping transactions or apply for stamp duty refund.

E-Tax Guide on Productivity & Innovation Credit Scheme

The Productivity and Innovation Credit (PIC) was introduced in the Singapore Budget to encourage businesses to invest in productivity and innovation. Available for Year of Assessment (YA) 2011 to YA 2015, the PIC grants businesses which invest in a range of productivity and innovation activities, enhanced deductions and/or allowances on up to \$300,000 of expenditure incurred for each category of activity. These are in addition to the deductions and/or allowances allowable under current tax rules. IRAS has published an e-tax guide on the PIC to provide greater clarity on how the PIC works. The e-Tax guide can be accessed via the IRAS website at <http://www.iras.gov.sg/irasHome/uploadedFiles/Quick Links/e-Tax Guides/PIC%20e-Tax%20Guide.pdf>.

GST Guide for the Marine Industry

Changes to the GST treatment for ship and ship-related supplies were announced in the Singapore Budget 2010. The changes reflect the international character of supplies relating to ships and facilitate GST compliance for such supplies while maintaining the integrity of the GST system. IRAS has issued an e-Tax guide "GST Guide for The Marine Industry – 2010 Budget Changes" to explain the GST changes affecting the marine industry and the documentation businesses need to maintain to apply zero-rating for GST purposes. The e-Tax guide can be accessed via [http://www.iras.gov.sg/irasHome/uploadedFiles/Quick Links/e-Tax Guides/GST/GST%20Guide%20for%20The%20Marine%20Industry \(1st%20Edition\) 20%20May%202010.pdf](http://www.iras.gov.sg/irasHome/uploadedFiles/Quick Links/e-Tax Guides/GST/GST%20Guide%20for%20The%20Marine%20Industry (1st%20Edition) 20%20May%202010.pdf)

United Kingdom

Country Correspondent
Ms Angelia Burke

Double Taxation Convention - signed

The United Kingdom signed a first-time [Double Taxation Agreement with Hong Kong](#). The Agreement generally follows the OECD Model Double Taxation Convention.

Entry into force

The United Kingdom and Luxembourg [Protocol](#) entered into force on 28 April 2010.

Debt collection agencies will be used by HM Revenue & Customs (HMRC) during 2010-11 to collect an additional £140m of tax debt.

Contracts have been signed following the announcement in the June 2010 Budget that HMRC would use Debt Collection Agencies (DCAs) operating under industry and HMRC standards to boost HMRC's debt collection capacity and help the pursuit of lower value debts.

Before the debt is referred to a DCA, HMRC will write to the debtor providing a final opportunity to pay or reach an agreement with the department.

Office of Tax Simplification

The Chancellor George Osborne and Exchequer Secretary David Gauke have established the Office of Tax Simplification (OTS).

The Chancellor has appointed a Board of tax experts who will be responsible for leading the work of the OTS over the next year.

Their responsibilities will be to identify areas where complexities in the tax system for both businesses and individual taxpayers can be reduced and to publish their findings for the Chancellor to consider ahead of his Budget.

The OTS will also draw on external expertise from the tax and legal profession over the coming months. These experts will focus on specific areas of complexity in the tax system and provide additional advice to the OTS.

The Government is committed to making the UK the most competitive country in the G20 and to reducing the complexity in the tax system.