

The Commonwealth Association of Tax Administrators



coata
Newsletter

AMP & CTIC 2007 New Reps for Canada, Malaysia and New Zealand
Tan Sri Dato' Zainol retires Fiji's suspension from the Commonwealth Councils
Acting Vice-Chairman appointed Former Vice-Chairman honoured with OBE

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Editorial

The Commonwealth

CATA is the tax organisation of the Commonwealth. All members of CATA are fully aware of that. However, recent interaction with some participants in CATA's training programmes and some conference delegates suggested that a number of CATA members are not equally well conversant with important facts about the Commonwealth itself, the umbrella organisation without which there would be no CATA today.

The Commonwealth is an association of 53 independent states consulting and co-operating in the common interests of their peoples and in the promotion of international understanding and world peace. It had 54 members until Zimbabwe ceased to be a member not too long ago. The Commonwealth's 1.8 billion citizens, about 30 per cent of the world's population, are drawn from the broadest range of faiths, races, cultures and traditions.

Though the modern Commonwealth is just over 50 years old, the idea took root in the 19th century. In 1867, Canada became the first colony to be transformed into a self governing 'Dominion', a newly constituted status that implied equality with Britain. The empire was gradually changing and Lord Rosebury, a British politician, described it in Australia in 1884 as a "Commonwealth of Nations". Other parts of the empire became Dominions too: Australia (1900), New Zealand (1907), South Africa (1910) and the Irish Free State (1921). They all participated as separate entities in the First World War and were separate signatories to the Treaty of Versailles in 1919. Subsequently, they became members of the League of Nations.

After the end of the First World War, the Dominions began seeking a new constitutional definition and reshaping their relationship with Britain. The Conferences of Dominions begun in 1887 were resumed and at the Imperial Conference in 1926, the prime ministers of the participating countries adopted the Balfour Report which defined the Dominions as autonomous communities within the British Empire, equal in status, in no way subordinate to one another in any aspect of their domestic or external affairs, though

united by common allegiance to the Crown, and freely associated as members of the British Commonwealth of Nations.

This definition was incorporated into British law in 1931 as the Statute of Westminster. It was adopted immediately in Canada, the Irish Free State, Newfoundland (which joined Canada in 1949) and South Africa. Australia and New Zealand followed. India, Britain's largest colony at the time, had still not achieved self-government and remained a Dominion under the India Act of 1935 until its independence in 1947.

The Commonwealth does not have a written constitution, but it does have a series of agreements setting out its beliefs and objectives. These Declarations or Statements were issued at various Commonwealth Heads of Government Meetings. The first, fundamental statement of core beliefs is the Declaration of Commonwealth Principles which was issued at the 1971 summit in Singapore. Among other things, it stresses the need to foster international peace and security; democracy; liberty of the individual and equal rights for all; the importance of eradicating poverty, ignorance and disease; and it opposes all forms of racial discrimination.

The Commonwealth is a powerful voice in international forums. Among other things members become part of a respected body that provides them with developmental support and collaboration towards the achievement of international goals. The fact that it is a 'family' of nations which have a common heritage in many fields, including a common language, enables them to work together in an atmosphere of co-operation and understanding. Commonwealth governments also learn from each other through their regular meetings at all levels. Apart from the summits there are many ministerial meetings as well as those of senior officials. Also, and most important since almost all the members are developing countries, through the Commonwealth Fund for Technical Cooperation (CFTC) the skills and training facilities of members benefit the needier countries.

The Secretariat and its activities are supported by an assessed budget. Governments contribute to the funding of the Secretariat's assessed budget according to an agreed scale based on Gross National Product and

population size. Each year a proposed budget for the Secretariat is agreed by a Finance Committee composed of Commonwealth High Commissioners in London and a representative of the UK Government. CATA follows more or less identical procedures in its budgetary planning, except that CATA's General Meetings are held every three years, even though budgets are approved for each of the 3 years involved.

Commonwealth Day is celebrated on the second Monday in March every year with the objective of promoting understanding on global issues, international co-operation and the work of the Commonwealth to improve the lives of its 1.8 billion citizens. Contrary to a perception or belief expressed in some quarters that the Commonwealth is some form of a colonial hang over, the Commonwealth is one international organisation with an overwhelming majority of membership of developing countries, with all members having equal status and no country having any sort of veto powers. It is also a very proactive body, the first to react in practical steps wherever democracy is derailed or threatened within its membership, as in the case of Fiji recently.

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

AMP AND CTIC COURSES 2007

The Advancing Management Potential (AMP) and the Commonwealth Tax Inspectors Course (CTIC) training programmes for 2007 sponsored by CATA and managed by HMRC of the United Kingdom will commence on Monday 30 July and finish on Friday 14 September 2007.

The venues for the courses will be as follows:

AMP - Lincoln and London

CTIC - Lincoln, Nottingham and London

For further information or to discuss additional aspects of the courses, please contact the Course Administrator:

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APPOINTMENTS

New Country Representatives

Canada

Mr. Rod Quiney has been appointed as the new Country Representative for Canada in place of Mr. Robert Russell, who has left the Canada Revenue Agency. Mr. Quiney has been the Regional Assistant Commissioner for the Pacific Region, CRA since January 2004 and took up his current appointment at the beginning of November of this year.

New Zealand



Mr. Robert Russell, who was previously the Representative for Canada is now Country Representative for the Inland Revenue, New Zealand and holds the designation of Deputy

Commissioner (Service Delivery) in Inland Revenue,

New Zealand. Mr Russell also took up his new position at the beginning of November.

New Country Correspondents

Mrs. Vaydavadee Ramdin, Section Head at the Mauritius Revenue Authority has been appointed in place of Mrs Sybille Lidivine Lim-Kong.

APPOINTMENTS AND RETIREMENTS

Chairman



Tan Sri Dato' Zainol Abidin, former Chairman of CATA and Director General/Chief Executive of Inland Revenue Board of Malaysia retired from service at the end of October 2006. Tan Sri Zainol served as Chairman of CATA from 2003 to 2006. During his tenure, Malaysia provided unprecedented support to CATA, hosting the CATA conference in 2003 and also hosting concurrently two workshops, TOIT and CMDP during 2004 and 2005. He will be remembered for his dynamic leadership as well as positive and energetic involvement in all affairs and activities of the Association. CATA Secretariat takes this opportunity on behalf of all members to wish Tan Sri Dato' Zainol Abidin the very best for his future.



With effect from 19 October 2006, Madam Hasmah succeeded Tan Sri Dato' Zainol Abidin Abd. Rashid as the CEO/Director General of Inland Revenue Board of Malaysia. She has vast experience in various Divisions and Branches and was head of Kuala Lumpur Assessment Branch, Technical Division, Operations Division, Petroleum Division, Training Division/Malaysian Tax Academy. She graduated from the University of Malaya in 1973 and joined the Inland Revenue on March 9, the same year.

Vice-Chairman



Mr John McGinley who was officially elected Vice-Chairman of CATA at the 10th General Meeting of CATA in Mauritius took early retirement last September. Mr McGinley worked for the H M Revenue and Customs for several

years and was closely involved with some of CATA's training programmes as head of the International Assistance Division of the then Inland Revenue Department of the United Kingdom. John was very well respected in the CATA fraternity. CATA Secretariat takes this opportunity to thank John for his constructive role and contributions in promoting the objectives and activities of CATA.

Appointment of Acting Vice Chairman



Following the early retirement of Mr John McGinley, the post of the Vice Chairman of CATA unexpectedly fell vacant. The Chairman therefore proposed to the members of the Management

Committee through circulation that Mr. Greg Farr (Australia) be appointed acting Vice Chairman of CATA with immediate effect. The proposal was approved by the Committee. Mr. Farr has served on the Management Committee for several years and is well conversant with the policies and activities of CATA.

Previous Vice-Chairman honoured



Mr Gerry Cook, who retired last April as Vice Chairman of CATA, was appointed to be an Officer of the Order of the British Empire in the Queen's Birthday Honours List published on 17 June 2006 and was

presented with his medal by Her Majesty during an investiture at Buckingham Palace on 6 December 2006. It is understood that in addition to services rendered by him to HMRC throughout his long career, the honour is being conferred on him in good measure for his role, contribution and performance as Vice Chairman of CATA.

Other News

SWIFT DELIVERY OF AID AND DEBT RELIEF CALLED FOR BY SECRETARY-GENERAL



Commonwealth Secretary-General Don McKinnon has called for developed nations to deliver on their promises of debt relief and aid to the poor.

Speaking at the Commonwealth Finance Ministers Meeting (CFMM)

in Colombo, Sri Lanka, on 12 September 2006, Mr McKinnon urged the Group of Eight (G8) leading industrialised nations to make good on last year's pledge at the Gleneagles Summit.

"The picture on aid is not favourable. Although the headline aid figures for 2005 will show a sharp rise, this is due to exceptional amounts of debt relief for a few countries," said the Secretary-General. "The underlying trend is falling well short of what is needed to meet the Gleneagles pledge. Yet we know that there are many poor countries that could absorb and make excellent use of really substantial increases." While noting the challenges in efficient aid disbursement, Mr McKinnon added: "Donors are making only slow progress on the commitments made to align their aid with country priorities, use country systems, increase direct budgetary support and enhance aid predictability."

He also expressed concern over donors' debt reduction payments that are claimed as part of aid flows when they should be additional to them by "paying once and claiming credit twice". The Secretary-General warned countries against incurring excessive debt, while urging developing countries to improve governance and tackle corruption.

Sri Lankan President Mahinda Rajapakse, who also spoke at the event, stressed the need for adequate and reliable resource flows to developing countries to ensure sustainable economic growth. "The timely delivery of aid in support of home-grown policies and strategies is essential for countries to make progress towards reaching the Millennium Development Goals," he stated.

Mr McKinnon also held talks with President Rajapakse, Prime Minister Ratnasiri Wickramanayake and Opposition Leader Ranil Wickramasinghe on the sidelines of the CFMM.

The full text of the Secretary-General's speech is available at http://www.thecommonwealth.org/document/153958/official_opening_statement_by_the_commonwealth_sec.htm.

FIJI SUSPENDED FROM COMMONWEALTH COUNCILS

Fiji's military regime has been suspended from the councils of the Commonwealth, pending the restoration of democracy and the rule of law in the country.

In a statement issued after an extraordinary meeting of the Commonwealth Ministerial Action Group on the Harare Declaration (CMAG) in London, UK, on 8 December 2006, the group "unanimously and unequivocally condemned the military takeover of Fiji's democratically-elected government".

Full story available at http://www.thecommonwealth.org/news/34580/157590/fiji_military_regime_suspended_from_commonwealth_c.htm

COMMONWEALTH URGES GREATER EU RESPONSIVENESS TO DEVELOPING COUNTRIES' CONCERNS

The European Union can become a greater force for good in the world if it puts local concerns first in developing countries, and makes better use of local partnerships, said Commonwealth Secretary-General Don McKinnon.

Speaking at the Centre for European Policy Studies in Brussels on 17 October 2006, Mr McKinnon said that the EU's achievements and potential are not fully realised because it has not yet fully addressed the trade needs of developing countries.

Full story available at http://www.thecommonwealth.org/news/155296/eu_responsiveness.htm.

TRADE, AID NEEDED TO DEVELOP AFRICA – BARROSO

Africa requires both trade and aid to combat poverty and develop, European Commission President José Manuel Barroso told a news briefing on 16 October

2006 after meeting Commonwealth Secretary-General Don McKinnon at Marlborough House, London.

“For Africa to develop, we need both trade and aid. We need aid for some structural reforms and to support infrastructural development in Africa,” he said.

Full story available at http://www.thecommonwealth.org/news/155254/trade_aid_needed_to_develop_africa_barroso.htm.

TAKE THE FIGHT AGAINST POVERTY INTO CITIES, RANSFORD SMITH URGES



Urban centres will only deliver their promise of hope if urban poverty is addressed, Commonwealth Deputy Secretary-General Ransford Smith said in a message issued on World Habitat Day 2006 on 2 October. He stressed that there can be no

sustainable development without sustainable urbanisation.

Pointing out that the percentage of the world's urban population has increased to nearly 50 per cent from 30 per cent in the last 50 years. Mr Smith put the spotlight on the urban poor who provide essential pools of labour and services in cities. “Regrettably, poverty and the deprivation experienced by urban slum dwellers are often underestimated. Thus, low rates of water and sanitation coverage, high child mortality and poor education enrolment go unrecognised,” he said.

Mr Smith stressed the need for good slum-upgrading programmes, which the World Health Organisation says can reduce infant and child mortality rates by more than 80 per cent. “Through ComHabitat, the Commonwealth continues to support its members in actively promoting implementation of the Habitat Agenda and the Commonwealth's own goal to ‘demonstrate progress towards adequate shelter for all with secure tenure and access to essential services in every community by 2015’,” he added.

ComHabitat is a partnership between civil society, governments and Commonwealth ministers. It works to improve human settlements in Commonwealth countries. The full text of Mr Smith's World Habitat Day message is available at http://www.thecommonwealth.org/document/34293/35144/154556/cities_magnets_of_hope.htm.

COMMONWEALTH PROJECT SENDS INFORMATION TECHNOLOGY TO PAKISTAN VILLAGES



Computer literacy, internet access and interactive games are visiting Pakistani villages, courtesy of the Commonwealth Youth Programme (CYP) Asia Centre.

Commonwealth Deputy Secretary-General Florence Mugasha handed

over a mobile information and communication technology (ICT) learning centre — a van that travels from village to village delivering computer training to young and disadvantaged people — to Pakistan through its High Commission in New Delhi, India, on 1 October 2006.

The van, equipped with state-of-the-art computer systems, mobile internet facilities and training aids such as liquid crystal display multimedia projectors, screens and audio systems, aims to bridge the digital divide in rural areas. The US\$25,000 mobile centre is the third such vehicle to roll out from the CYP Asia Centre under its Technology Empowerment Centre on Wheels project.

“This project is a means for economically disenfranchised young people in remote areas to enhance employment opportunities by upgrading their skills. I have no doubt that this mobile ICT centre would immensely benefit the young people of Pakistan,” Mrs Mugasha said.

In the past, two mobile ICT learning projects have been carried out successfully by the CYP Asia Centre. In 2003, about 3,000 young people in 16 villages were trained in the north Indian city of Chandigarh. In December 2005, an integrated satellite communication antennae dish was mounted on an ICT van to deliver education programmes in Nashik, West India, in collaboration with the Yashwantrao Chavan Maharashtra Open University.

In a separate speech at the valedictory function of the Panchayat Yuva Shakti Abhiyan — a grassroots youth empowerment event — in Ludhiana, Punjab, on 30 September, the Deputy Secretary-General said that the CYP Asia Centre in Chandigarh should be made a focal centre for co-operation and learning in the field of youth and local government.

COMMONWEALTH PHOTOGRAPHY COMPETITION INVITES ENTRIES

Calling all shutterbugs. Entries are now being invited for the 2006/07 Commonwealth Photographic Awards. The theme this time for the awards, organised by the Commonwealth Press Union (CPU), is 'Achievement'.

The competition is open to all Commonwealth residents. Submitted photographs will be judged on the interpretation of the theme as well as technical quality. The overall winner of the Commonwealth Photographic Awards will receive a prize of £1,000, while more prizes are in store for regional winners.

Full story available at http://www.thecommonwealth.org/news/156285/commonwealth_photography_competition_invites_entries.htm.

News from Members



AUSTRALIA

Country Correspondent:
Pam Mitchell

Change Program Delivers a Major Release

The second release of the easier, cheaper and more personalised program is progressing well. After a successful initial roll out in a small number of sites, the progressive roll out of the enterprise-wide case management and work management components of Siebel is on track. At the completion of this release in December 2006, nearly 10 000 tax officers across Australia will be using these components of Siebel.

In addition, nearly 3 000 client contact staff received updates to the client relationship management component of Siebel that was delivered in 2005 in the first release of the program.

Early indications are that the new systems and processes are being well received by our staff.

Of course there have been some problems along the way, as you would expect with the rollout of a major element of the change program. However, we have implemented a robust issue management process to ensure that critical issues are identified quickly and appropriate action taken. Directly affected staff are updated on these issues and what they need to do, ensuring staff can progress with their work. Where appropriate, contingency arrangements are implemented whilst issues are resolved.

While the case management and work management components of Siebel are a major focus of this release, we are rolling out other new systems and enhancements across the organisation as well. These include a new content management system, a record management system which provides seamless integration with Siebel and a new enterprise-wide reporting system.

We have made further improvements to our Tax Agent and Business portals with enhancements to our secure messages. The secure message improvements enable messages to be actioned through the work management

component of Siebel. Portal users will be able to track the progress of requests being actioned by the Tax Office, and will no longer need to contact us to check the status of a request.

The portal provides additional assistance to tax agents by delivering, in report format, income tax return information sourced from other government agencies. This service assists tax agents in accurately completing their clients' income tax returns.

The third release of the program scheduled for deployment in January 2008 is also tracking well. A significant element of this release is the Integrated Core Processing (ICP) system. ICP will deliver a single enterprise-wide system for all our client registration, client accounting, forms and payment processing. In conjunction with the case management component of Siebel, ICP will support debt management and lodgment compliance activities by quickly and easily providing staff with the information they need to do their job.

At this stage, we plan to have the base version of ICP built and in testing by November 2006. A more detailed update on the third release will be provided later this year.

Proposed changes to Australia's superannuation system

As part of the 2006 Federal Budget, the Australian Treasurer announced major reforms to Australia's superannuation system and released *A Plan to Simplify and Streamline Superannuation*. The plan outlines a range of proposals designed to:

- reduce current tax complexities faced by retirees
- improve retirement income
- provide greater flexibility in how superannuation can be taken in retirement, and
- increase the quoting of tax file numbers to allow for improved administration within the superannuation system.

There are currently a range of tax treatments that apply when superannuation is contributed to a fund, as it accumulates earnings, and when it is paid as a benefit.

Under the proposed plan, from 1 July 2007, superannuation benefits paid from most superannuation funds either as a lump sum or superannuation pension would be tax free for people aged 60 and over.

Benefits paid from what are commonly referred to in Australia as 'untaxed' funds would still be taxed, but a rebate of tax will be provided for people aged 60 and over. These funds (mainly affecting public servants) typically provide benefits not from the accumulation of contributions, but in line with benefit levels defined either in law or in the fund's trust deed.

However, there will be limits imposed on the amount which can be contributed into superannuation and taxed at reduced rates (apart from the concessions available when benefits are paid out, income earned by funds is taxed concessionally).

Some of the other proposals include:

- o making it easier for people to find the superannuation they may have lost track of and transfer their superannuation between funds, and
- o providing greater flexibility in when and how people can access their superannuation in retirement.

The Government is presently seeking comments from the community on the proposed changes, with the plan potentially subject to change based on the results of the consultation.

A copy of the Australian Government's plan is available on the web at:

<http://simplersuper.treasury.gov.au/>



CANADA

Country Correspondent:
Ms Christina Lee

On October 6, 2006, Finance Canada and the Canada Revenue Agency (CRA) entered into a Memorandum of Agreement (MOA) with the Ontario Ministry of Finance. The MOA provides for the transfer of the administration of Ontario's corporate tax regime to the CRA. Once implemented, the CRA will be collecting corporate taxes for all provinces and territories, with the exception of Alberta and Quebec, which do not have a Tax Collection Agreement with the Government of Canada.

Beginning in 2008, Ontario corporations will make their first 'harmonized' instalment payments to the CRA. It is expected that corporations that are filing returns for fiscal periods that end in January 2009 or later will file a single 'harmonized return with the CRA for both federal and Ontario corporate income taxes. For Ontario businesses, this development will reduce the administrative burden of filing two separate returns. This change will reduce administrative costs for the Ontario government. The provincial Ministry of Finance has estimated that Ontario businesses will reduce their compliance costs by up to \$100 million. Instead of dealing with assessors, auditors and collectors from two levels of government, Ontario businesses will be able to deal with one level of officials, leaving them more time to concentrate on their priorities – running their businesses.

This latest business obtained by the CRA is in line with the one of our Agency 2010's strategic themes: pursuing new business opportunities that the Agency could deliver on behalf of current and new clients.

In order to ensure a timely and orderly transfer of duties, both the CRA and the Ontario government will be working together on a number of transitional and administrative arrangements in a number of areas:

- the preparation by Ontario of the required legislation to enable federal administration;
- the development of accountability mechanisms between the CRA and the Ontario government, in the form of a Service Management Framework Agreement and Service Level Agreements;
- the specification of transition arrangements establishing how and when Ontario's functions will be transferred; and
- the negotiation of CRA employment opportunities for Ontario Ministry of Finance personnel.

With one of the largest information technology bases in the country, 43 tax services offices across the country and 7 tax centers, the Agency is well positioned to capitalize on opportunities to grow the programs and services that it delivers.

FIJI ISLANDS

*News Despatch by:
David Tansey*

2007 Budget

The 2007 Budget address was delivered on 3 November 2006 by the Honourable Minister for Finance and National Planning, Ratu Jone Kubuabola. The main changes are as follows.

Direct taxes

- The income tax-free threshold to increase from \$8,840 to \$10,000.
- Entertainment expenses of company directors and executives will be deductible only to the extent of 50%.
- Depreciation of company passenger vehicles will not be deductible.
- 100% deduction for individual residential taxpayers on installation of solar power units.
- The Kalabu Information & Communication Technology (ICT) Zone will be established, allowing for 10 year tax and duty holidays for companies in the Zone with over 100 employees and which export 60% of their sales.

Indirect taxes

- Value Added Tax rate to increase from 12.5% to 15% from 1 January 2007 (kerosene and basic food items to remain exempt).
- Fiscal duty on plant, machinery and equipment increased from zero to 3%.
- Import excise duty rate increases from 5% to 10% on white goods (except refrigerators and freezers) and from 10% to 15% on tobacco, alcohol and motor vehicles.
- Fiscal duty increased from 3% to 27% to protect local industry on: PVC flexible tubes, prawns, pork and goat meat, vegetable and dairy products.
- Extension of the duty free concession on LPG vehicles for use as taxis to 2007.

Total revenue in 2007 is projected to be \$1,282M. The budget of the Fiji Islands Revenue & Customs Authority (FIRCA) was more than doubled to \$53M, including \$17M of capital expenditure and additional resources to strengthen compliance and combat tax evasion.

PITAA Annual Congress

The 3rd Annual Congress of the Pacific Islands Tax Administrators Association (PITAA) was held on 8 to 10 August in the Cook Islands. FIRCA was represented by CEO Mr Tevita Banuve, and the Large/International Team Leader Mr Vimal Krishna.

A presentation was given titled "Key initiatives undertaken to improve and strengthen compliance and the results achieved". This focused on the special project combating avoidance on profits from property sales. Further information is available on the website of the Pacific Financial Technical Assistance Centre at www.pftac.org/PITAA

Law Harmonisation

FIRCA has appointed Elsie Hudson as Manager Legislation on 30 May. Elsie was previously a defense counsel at the Office of the Public Defender in Majuro, Republic of the Marshall Islands. From 2002 to 2004 she was a legal volunteer attached to the Attorney General's Chambers in Suva under a bilateral agreement between the governments of Fiji and Nigeria.

Elsie's main task is the harmonisation of all the tax and customs legislation administered by FIRCA. The integrated *Revenue Administration Bill 2007* is expected to be introduced into Parliament mid next year. The Bill will harmonise the administrative provisions from the 5 tax acts and 5 customs acts administered by FIRCA into a single bill, covering access powers, objections and appeals, penalties, offences and prosecution, appointment of agents, the single identifying number etc.

The technical provisions of each act will remain in their respective legislation. Powers that are specific to either tax or customs and are not suitable for harmonisation will be retained as applicable to just one group e.g. customs officers' power of arrest. Further updates on the harmonisation project will be made as progress is made.



KENYA

Country Correspondent:
Ms Alice A Owuor

A. Revenue Performance for the First Quarter of 2006/2007 Fiscal Year

Kenya Revenue Authority (KRA) once again showed a remarkable growth in revenue, a trend that has been consistently maintained over the years.

The revenue performance for the 1st quarter is summarized in table 1 below. The total target for the quarter was Kshs. 84.5 billion of which Domestic Taxes Department (DTD) was to collect Kshs. 47.5 billion or 56.2% of the total, Customs Services Department (CSD) was to collect Kshs. 36.5 billion or 43.2% and the Road Transport Department was to collect the remaining 0.6%.

As shown in table 1 below, overall revenue performance totalled Kshs. 82.9 billion being a performance rating of 98.1%. Overall, revenues grew by 19%. All revenue departments registered significant growth in revenue collection compared to the same quarter in 2005/06. The highest growth rate was registered by Customs Services Department (CSD) at 32.5% followed by Domestic Taxes Department (DTD) at 11.3% and Road Transport Department (RTD) at 16.6% (this growth excludes the collection of Road Licenses which was removed in the 2006/07 budget speech with a compensating increase in the Road Maintenance Levy).

Table 1: July to September, 2006 Revenue Performance (Kshs million)

Dept	Percentage of Forecast Revenues	Target 1st quarter	Actual Collection 1st quarter	Performance Rate	Actual Collection 2004/05	Growth over 1st quarter 2005/06 (%)
Domestic Taxes	56.2%	47,524	46,817	98.5%	42,053	11.3%
Customs Services	43.1%	36,465	35,617	97.7%	26,871	32.5%
Road Transport	0.6%	535	452	84.5%	745	(39.4)%
Road transport Excluding Road licenses	0.6%	535	452	84.5%	387	16.6%
Total	100%	84,524	82,886	98.1%	69,669	19.0%

Administrative Measures

The improvement in revenue performance was achieved both as a result of the economic environment as well as the administrative measures put in place by the Authority. The main administrative measures included the following:

Domestic Taxes Department

Electronic Tax Register (ETR): Following the amendments to the ETR provisions in the 2006/07 Budget Speech, compliance checks have been stepped up with audits now including compliance with the ETR requirements.

Taxpayer Audits: Audits are now being assessed on the basis of case coverage as well as actual tax collected as opposed to revenue yield. A framework for implementation of follow up teams to check on quality of audits has been put in place.

Excise Stamps on wines and spirits: the modalities on regulations and transition rules for implementation of the excise stamps have been developed for roll out in the second quarter.

Debt management: the department has set clear benchmarks for debt collections while a debt resolution strategy is being developed. Procedures for rapidly moving from debt identification through audits to collection through compliance officers have been developed and rolled out.

Customs Services Department

Document Processing Centre (DPC): the DPC which replaced the manual long rooms in 2005/06 was converted to a 24 hour 7 day operation to ensure importers have full time service availability.

Monitoring of Oil : new measures were introduced to monitor transit oil including the requirement that marketers produce weekly reconciliation reports as well as the monitoring of bio coded trucks on a weekly basis,

Monitoring of transit trucks: new measures have been introduced to monitor transit trucks along the transit routes

Simba System: the stock module has been deployed in the Simba2005 Computer System which is expected to assist in stock management of the various bonded warehouses that are located countrywide. In addition, the LEUK module has been deployed, allowing users to view the Customs Management Act (CMA) the Common External Tariff (CET) and the Customs and Excise Act (Cap 472) online.

Road Transport Department

The Vehicle Management System and the SIMBA system have been linked allowing for all information on imported vehicles to be accessed by the RTD online. This has led to the elimination of the Certificate of Clearance (COC) previously required for registration of vehicles.

B. Third Corporate Plan

The Kenya Revenue Authority launched the 3rd Corporate Plan for the period 2006/07-2008/09 on 25th August, 2006. The Authority's strategic theme during the plan period is "to develop a dedicated professional team embracing modern processes and technology to deliver customer compliance and revenue collection" Thus the plan is built on 4 core pillars namely:

- Developing a dedicated and professional team
- Re-engineering business processes and modernizing technology
- Improving and expanding taxpayer services, and
- Enhancing revenue collection and strengthening enforcement.

During the Third Corporate Plan, priority will be placed on people perspective. Only by addressing the needs of our staff shall we be able to instil the team spirit that will be required to meet the ambitious revenue target. With highly motivated and adequately equipped staff, KRA will be able to offer her customers quality service. In turn, the customers are expected to voluntarily comply with tax laws and pay taxes due to the government. There is thus a clear progression from people, to processes, to customers, and consequently to improved revenue performance.

Implementation of the 2006/07 – 2008/09 Plan has been launched to staff and the Authority will continue to implement the initiatives under the modernization process through the Revenue Administration Reform and Modernization Programme and exploit the gains of the reforms implemented so far.

C. Upgrading of Large Taxpayer Office

The Kenya Revenue Authority moved towards segmentation of taxpayers in order to address their needs more closely and focus on service delivery. This necessitated the establishment of the Large Taxpayer Office (LTO) to deal with Large business entities and high net worth individuals while the medium and small taxpayers are handled by Domestic Taxes Department - Domestic Revenue.

The LTO was created in recognition of the fact that tax affairs of large taxpayers are more complex and require a higher level of service. The office would therefore facilitate single window services to its clients by avoiding multiple audits or compliance checks and enhancing working relationship between KRA and their Large Taxpaying clients through the use of relationship managers. Initially, only 240 taxpayers had been selected but this has since been enhanced to about 800 based on turnover, special sectors, like banks and insurance companies, State Corporations among others. The LTO contributes approximately about 70% of domestic taxes revenue.

The Third Corporate Plan has elevated the people dimension with focus on the benefits of team work as opposed to individual strength, which is a frame-work adopted at the Large Taxpayer Office. To enhance quality customer service, LTO has also adopted a segmentation approach and taxpayers will therefore find it easier and less burdensome to meet their tax obligations and have increased confidence that taxes are collected fairly and efficiently.

D. Kenya Revenue Authority Honours Outstanding Taxpayers

The Authority held week long activities beginning on 16th October, 2006 to mark the taxpayers week which is an annual event set aside in recognition of taxpayers. One of the events included countrywide tax clinics aimed at bringing services closer to the people and consolidating the gains that are already made in taxpayer recruitment through education. Another popular event was medical camps that were set up in collaboration with Ministry of Health, which help to show case the Authority's Corporate Social Responsibility; One important feature of this year's medical camp was the sponsoring of eye clinics. The culmination of this important week was the presentations of recognition awards to distinguished taxpayers during a luncheon on the 10th of November, 2006 presided over by His Excellency the President of Kenya. Some of the dignitaries who graced the occasion included representatives from the regional Revenue Authorities including Uganda, Tanzania, Rwanda and Zambia. Nigeria also joined us in the celebrations. The theme for this year's celebrations like last year remained "pay your taxes and be self reliant".

E. Kenya Revenue Authority Unveils New Look Logbook

During the launch of the Taxpayer's Week, KRA also launched a beautiful new generation motor vehicle

logbook as part of the reform & modernization agenda whose objectives is to improve quality of service rendered to taxpayers through automation of operations. The new security printed logbook replaces the old handwritten one and will be issued first in the capital city of Nairobi before being rolled out to the rest of the country. It has advanced security features and is therefore difficult to be forged. The new document was officially launched by the Assistant Minister for Finance.

F. Kenya Revenue Authority's New Commissioners

The Board of Directors of Kenya Revenue Authority approved the appointment of three Commissioners in February 2006. The changes followed the split of Domestic Taxes Department into Large Taxpayers Office and Domestic Revenue, each headed by a Commissioner. Mr John Njiraini who was previously the CEO of the Institute of Certified Public Accountants of Kenya (ICPAK) was appointed to the position of Commissioner Domestic Taxes – Large Taxpayers Office, while Mr Andrew Okello who was previously KRA's Head of Research & Corporate Planning Department was appointed to be the Commissioner Domestic Taxes - Domestic Revenue. Ms Wambui Namu was appointed as Commissioner for Customs Services Department.

G. Kenya Revenue Authority Scoops FIRE Award

KRA received the second runner up award in the category of the non-listed companies in this year's prestigious FIRE Award. The theme for this year's award was the frame of True Excellence in Corporate Planning. The Fire award seeks to enhance the credibility of the financial process by ensuring that the financial statements are prepared in accordance with all provisions of international financial reporting standards, provisions of the Company's Act, best practice in governance and corporate citizenship as well as other requirements that are specific to a particular reporting entity. By rewarding those whose financial statements demonstrate excellence in financial reporting, the award seeks to institutionalize integrity and transparency in financial reporting process so as to assure confidence of those who rely on such information. At the same time through the Fire awards, challenges facing organizations in financial reporting process are identified and appropriate strategies initiated to aid them in overcoming these challenges.

H. Compliance & Debt Manual is Launched

A manual guiding the operations of Compliance Monitoring & Debt Management has been developed and launched for implementation by Domestic Taxes Department. The development of the manual became critical as the Authority was undergoing major transformation including the merger of Income Tax, VAT and Domestic Excise Departments which necessitated common guidelines to standardise operations simplify processes and achieve efficiency through synergy. A countrywide sensitization exercise is currently ongoing to equip the officers with the relevant knowledge and understanding of the manual to facilitate implementation.



MALAYSIA

Country Correspondent:
Ruedah Karim

AWARD CERTIFICATION MS ISO 9001:2000

The implementation of the MS ISO 9001: 2000 at the Administration Department is another initiative by the Inland Revenue Board Malaysia (IRBM) to continue improving the organisation's effectiveness and efficiency in providing "Friendly, Helpful and Satisfactory" services to its clients. This Standards implementation also provides the Administration Department of IRBM the opportunity to further enhance and maintain the quality of its services. The implementation of MS ISO 9001:2000 would also ensure on-going quality enhancement efforts in IRBM.

The MS ISO 9001:2000 Standards was officially issued on 15 December 2000 by International Organisation of Standardisation (ISO) to replace the MS 9000:1994. As of the year 2004, all participating member countries including Malaysia were required to meet the ISO 9001:2000 standards since the validity of the MS ISO 9000:1994 Certificate had expired in December 2003. The Meeting of the Public Service Development Panel had on 8 August 2002 resolved that all government agencies adopt the MSO ISO 9001:2000 standards. Following this resolution and upon the issuance of the Public Administration Circular Letter No: 2 of 2002 entitled MS ISO 9001:2000 Implementation Guidelines in Public Service, all Malaysian government departments adopted

the MSO ISO 9001:2000 standards. This Circular Letter is also adopted by IRBM.

On 7 January 2005, the Administration Department of IRBM implemented the MS ISO 9001:2000 Quality Management Systems (QMS) for *Human Resource Management, Personnel, Performance Monitoring, Promotion, Resignation, Training and Discipline* involving 18 standards of operating procedures. Every effort was made to meet the dateline of 25 and 26 April 2005 for auditing by Audit Compliance Unit of SIRIM QAS International Sendirian Berhad, a subsidiary of Standards and Industrial Research Institute of Malaysia (SIRIM).

Having successfully met the standards, SIRIM QAS International Sendirian Berhad awarded the Quality System Registration Certificate (Registration No: AR 3677) on 13 June 2005. Shortly after, in October 2005, the Real Property Gains Tax and the Stamp Duty business processes (assessment and tax collection) were also awarded the MS ISO 9001:2000 certificate.

Currently, all efforts are geared towards achieving MS ISO 9001:2000 for investigation and training and future QMS initiatives will be implemented in stages.



Above: The Prime Minister of Malaysia awarding the MS ISO certificate to the CEO of IRBM.

Right: MS ISO 9001:2000 Certificate.



NEW ZEALAND

Country Correspondent:
Ms Sally Morrison

Our Way Forward

In 2006 we reviewed and updated our business plan (*Our Way Forward*) to reflect the changing environment we are working in and set out some new aspirations for the future. Some of this content flows from our previous business plan (*The Way Forward 2001*) and is an affirmation and continuation of our strengths and the areas that continue to be important to us. Others are new and require a stronger focus.

What our previous strategic direction looked like:

- Streamline and simplify tax processes
- Create an environment which promotes compliance
- Enhance our people capability
- Enhance the administration of non-tax business

What our new strategic direction looks like:

- **Target and tailor our activities through understanding our customers.** This new strand indicates our stronger focus on our customers. We want to understand what will influence customer groups to voluntarily meet their obligations to the maximum extent possible. The insights we gain will be a key input into our decision-making. We will have a dedicated focus on customer groups and will identify opportunities to make it easier to comply, optimise service and reduce compliance and administrative costs. We'll also be looking at ways to increase the speed at which we can identify changing customer needs and quicken our response times. But we will only do this where it makes sense to do so and where it will improve compliance and meet specific needs of a key customer group.
- **Optimise organizational efficiency and reduce compliance costs over time.** This strand is broader than our previous streamline and simplify strand. It's about meeting the growing expectations from Government and our customers around building a more agile and responsive organisation. We will continually develop smarter ways of working and organising ourselves, and reduce compliance costs in the face of increased demand. This strand provides us with a direct questioning of the way we do things—from pursuing organisational cost savings to developing our future workflows and processes to

build a flexible and responsive organisation that delivers increased productivity for Government.

- **Create an environment which promotes compliance.** This strand is reinforced from 2001 and builds on our success in this area. We want to build strong relationships and partnerships and appropriately enforce the law to help move customers who have decided not to comply into a position where they are likely to comply in the future. We'll also take an integrated approach, using both specialist and cross-functional teams to optimise our customer understanding, risk assessment and compliance model thinking. One of our aspirations is that more and more people see that paying tax is contributing to society - high levels of voluntary compliance contribute directly and indirectly to that aspiration.
- **Continually invest in our people and the tools to deliver our future outcomes.** This reflects a broadening of our people strand from 2001. People and technology are two critical capabilities required by Inland Revenue to successfully operate in a high volume customer-focused environment. It's important that we continually invest in the people and tools we need to deliver our future outcomes. We need an organisation where our people are technically skilled and professional and we have the right tools and infrastructure to help us be an agile and effective organisation. The breadth and size of our work has increased therefore the right skills, tools and infrastructure are required for improved agility and responsiveness.

In summary there is:

- A stronger focus on the customer as a means of encouraging voluntary compliance
- A focus on agility—being flexible and adaptable and changing to meet changing needs
- A continued focus on creating an environment which promotes compliance—a fundamental underpinning for our work
- A widening of our capability strategy—the people and tools and the infrastructure to support them.



NIGERIA

Country Correspondent:
Mr Malik Tukur

AUTONOMY IN THE MAKING OF FEDERAL INLAND REVENUE SERVICE — NIGERIA REFORM IN FOCUS

The reform of the Federal Inland Revenue Service (FIRS) started in year 2004 with the appointment of Ms Omoigui Ifueko as the Chairman of the Federal Inland Revenue Board and the Chief Executive of the Federal Inland Revenue Service. Prior to this time, the structure of the Service was purely that of a government ministry or parastatals. The departments are based on tax types and the funding of the organisation is through a monthly allocation which is approved by the Budget Department and granted by Federal Ministry of Finance. Internally, we have departments such as a Value Added Tax, Petroleum Profit Tax, Collection and Assessment Departments. So to say, these were not yielding the desired results of generating optimal revenue for the government. Hence, the reform was initiated to achieve the following objectives:

- Triple 2004 revenue collections by year 2007 or achieving an annual 25% increase in the collections;
- Adopting international best practice;
- Recognizing Taxpayer as “King” and ;
- Creating a conducive and friendly climate for investments among others.

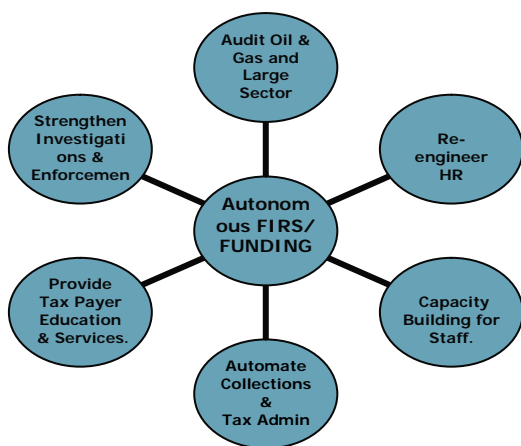
The principles driving these FIRS reforms are the well known canons of taxations. These include:

- **Equity:** that people should contribute taxes proportionate to their income and wealth. This is achievable through:
 - o Reviewing the obsolete provisions of the tax laws;
 - o Introducing presumptive tax regime;
 - o Massive tax payer education (marketing) programmes.
- **Certainty:** that taxes should be certain. Not arbitrary. This is achievable through:
 - o Simplification of the tax provisions;
 - o Regular training and re-training of staff in taxation and other areas like ICT.

- Efficiency: that the cost of the administering the taxes (assessments, collections and accounting for the taxes) should be kept at a minimum. This is achievable through:
 - o Securing an adequate and autonomous fund for FIRS;
 - o Integration of the Tax offices;
 - o Capacity building at all levels of the Service;
 - o Creation of a conducive one stop shop for all taxes.

The above principles guided the deliberations which eventually led to the adoption of the key strategic flanks of the Federal Inland Revenue Service.

FIRS STRATEGIC REFORM FLANKS



At the heart of these strategic flanks are autonomous FIRS that can hire and fire, and an autonomous funding scheme. This is because all other flanks depends on it. The process leading to this plan started in the early 1990s with the setting up of a Tax Reform Committee headed by Professor Dotun Philips. This is a Study Group that was formed by the Government to look into areas of operations of FIRS that need reform and make recommendations. On the submission of their report, a working group was also constituted to work on the report and also submit a report or recommendation. Finally, a Presidential Committee was constituted and charged with the responsibility of drafting the recommendations into Executive Bills to be sent to the National Assembly (the legislative arm of government) for consideration and passage. In February 2005, nine (9) Executive Bills were sent to the Assembly by the Federal Executive Council. These include:

1. A Bill for an Act to Establish the Federal Inland Revenue Service
2. A Bill for an Act to Amend the Companies Income Tax

3. A Bill for an Act to Amend the Petroleum Profits Tax
4. A Bill for an Act to Amend the Personal Income Tax
5. A Bill for an Act to Amend the Value Added Tax
6. A Bill for an Act to Amend the Customs, Excise Tariffs, etc (Consolidation) Act
7. A Bill for an Act to Amend the National Sugar Development Council Act
8. A Bill for an Act to Amend the National Automotive Council Act
9. A Bill for an act to amend the Education Tax Fund (later withdrawn).

The Bills have undergone considerable progress at the National Assembly. These include first and second hearing; a Public hearing, a technical retreat to consider the outcome of the public hearing; and in some cases, passage of the Bills. The status of the as at October is as follows:

S/No	The Bills	Date The Bill Was Passed	
		House of Representatives	Senate
1	FIRS (Establishment) Bill 2006	Wed. May 31, 2006	Wed. August 30 2006
2	Value Added Tax (Amendment) Bill 2006	Wed. June 7, 2006	Wed. August 30 2006
3	National Automotive Council Act (Amendment) Bill 2006	Wed. June 7, 2006	Thursday August 31 2006
4	Customs, Excise Tariff, etc (Consolidation) (Amendment) Bill 2006	Wed. June 7, 2006	Outstanding
5	National Sugar Development Council (Amendment) Bill 2006	Wed. June 7, 2006	Outstanding
6	Petroleum Profits Tax Act (Amendment) Bill 2006	Thursday August 17, 2006	Outstanding
7	Companies Income Tax Act (Amendment) Bill 2006	Outstanding	Wednesday, October 4 2006
8	Personal Income Tax Act (Amendment) Bill 2006	Outstanding	Outstanding

Harmonisation of the decisions of the two Houses on the Bills will commence after all the Bills have been considered and passed. The harmonised positions will then be sent to the President, Federal Republic of Nigeria. Thereafter, the President is expected to sign the Bills into Law.

This is Autonomy of the Federal Inland Revenue Service in the making. Specific areas of the reforms shall be presented in subsequent CATA newsletters for your reading pleasure and knowledge sharing



PAKISTAN

Country Correspondent:
Mr. Mohammad Riaz

The Central Board of Revenue hosted the 3rd Annual Technical Conference of the Association of Tax Authorities of Islamic Countries (ATAIC) from 22 to 25 November 2006 at Islamabad. Sixty eight (68) participants from OIC countries participated in the conference. CATA was represented by its Executive Director Mr. Zahir Kaleem and Mr. Ridah Hamzaoui, of IBFD also attended the conference in the capacity of observer. The Prime Minister of Pakistan, Mr. Shaukat Aziz inaugurated the conference on 22nd November 2006. Mr. M. Abdullah Yusuf, Secretary General Revenue Division assumed the Chairmanship of the ATAIC for one year in accordance with the ATAIC practice of passing on the chairmanship to the host country,. Mrs. Farida Amjad, acted as the Conference Coordinator.

ATAIC was first established and launched in Putrajaya, Malaysia on October 15, 2003. The first ATAIC Technical Conference was held at Kula Lumpur. Thereafter the second conference was held at Tehran and the 3rd conference was held on 22nd to 25th November, 2006 at Islamabad.

The mission of the Association is to facilitate the improvement of tax administration and promote Sharia taxation with particular reference to Zakat within the Islamic countries, in order to meet the challenges and/or changes rapidly taking place in the world. To this end the activities of the Association may include:

- Holding meetings including an Annual Technical Meetings in related tax issues for the exchange of ideas and experiences.
- Organizing seminars, workshops and training courses on aspects of tax organization.
- collecting, analyzing and disseminating information on tax issues.
- Providing directly or collaborating with, and generally facilitating the work of, bilateral and multilateral agencies that provide technical assistance and research facilities in the field of tax administration.
- Generally carrying out functions related to overall improvement of the capabilities of tax administration through functional cooperation between and among Islamic countries.
- Keeping abreast all member Islamic countries with development of tax and related regimes in non-Islamic countries as well as activities of regional tax associations.

The following topics were deliberated upon during the 4 days 3rd Technical Conference:

- (i) Strategies for resource mobilization through:
 - (a) increase in tax to GDP ratio; and
 - (b) expansion in tax base.
- (ii) Promotion of voluntary compliance, especially amongst small traders and tax audit as an effective deterrence for tax compliance.
- (iii) Shariah taxation with particular reference to Zakat

The closing ceremony for the conference was held on 25th November 2006. During the Steering Committee meeting, the Kuwaiti head of delegation informed that the 4th Technical Conference will be held in Kuwait in 2007. The Secretariat of the ATAIC is now held by Pakistan for one year and will move to Kuwait on the eve of the 4th Technical Conference.



Heads of delegations with Prime Minister of Pakistan, Mr. Shaukat Aziz at the opening ceremony

SOLOMON ISLANDS

Country Correspondent:
Ms Jenny Overland

As the end of the 2006 year starts to draw near with many of our officers beginning to depart for their villages for their annual leave, we begin to reflect on what has been a very successful year for Inland Revenue Division in some difficult times. While we still have the final months collections to come in, collections to date have been strong and ahead of targets (11.5% ahead of 2005). And while the year isn't over yet, we have a lot to celebrate.

There have been many achievements in 2006 and a few are worthy of highlighting at this point:

- Launch of a **corporate plan** carefully linked to the new Government's policy framework and the Ministry's plan
- Introduction of a new **performance framework** for senior managers linked to the corporate plan
- Continued work to progress the **tax reform** agenda including -
 - Implementation of changes to the PAYE laws that mean that most PAYE workers will no longer need to file income tax returns in 2007
 - Development and implementation of a committee process to deal transparently with the issue of tax exemptions and the public release of the guidelines to that process
 - Introduction of a new computerised system to deal with our accounting and tax records and the issuing of all 2005 business income tax assessments under the new system
- Establishment of a '**partnership forum**' with tax agents
- Increased coverage and scope in our **audit** area. Worthy of particular mention in this regard is the successful prosecution of a Honiara retailer for attempting to bribe an Inland Revenue Investigator and moves to target high wealth individuals
- Commencement of **recruitment** to fill vacancies that have been running at around 20% of establishment
- Very high participation in external **training** programs offered locally and overseas with attendance by senior officers at a number of international conferences on tax reform

Work is now commencing on planning for 2007 and beyond. We will continue to look at ways of improving what we do and how we do it. In 2007 we are looking forward to building on our achievements from 2006 – it is already shaping up to be another exciting and busy year in Inland Revenue!

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