The Commonwealth Association of Tax Administrators

cata Newsletter

28th Annual Technical Conference/Workshop 2007 AMP 2007
CTIC 2007 TOIT 2007
Annual Management Committee Meeting 2007 New Publications

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Editorial

Wider Implications of Tax Evasion

Tax fraud, avoidance and evasion are serious concerns for tax administrations, which naturally endeavour to deal with the problems as best as they can. However, the problem of tax evasion has extremely damaging implications for societies and nations as a whole that often go unsuspectingly unrecognized or deliberately ignored because of vested interests. Hard earned money accumulates over a period of time, is spent circumspectly and mostly on carefully considered individual or family priorities. On the other hand, income from tax evaded sources, in many cases from illegal activities is easy money. Consequently it is often spent recklessly and more likely for purposes of social recognition, misplaced ego satisfaction, pleasure and entertainment.

Naturally the level of tax evasion in any country tarnishes the image of revenue authorities, especially in the eyes of people who do not fully comprehend the dynamics of the informal sector or the underground economy. Tax evasion that goes undetected or unpunished creates a mind set or a psychological agenda of contempt for all laws and practices that are seen by persons successfully engaged in tax evasion as obstacles to growth or socio-cultural dominance through rapid accumulation of wealth and the consequent social and political influence. A general culture of non-compliance and contempt for law follows, whether relating to tampering with utility bills or not stopping at traffic signals or dealing in fake goods or medicines. A person who has respect for law will usually have respect for all laws and vice versa because human personality development is based on relatively consistent attitudes rather than inconsistent and disjointed behaviour.

Generally speaking, income is accumulated faster through tax fraud, avoidance and evasion than through lawful means from the same set of economic activities. It therefore becomes a temptation either because of a weak moral base or frustration at losing out to competitors by following the legal course. Successful tax evasion has no direct co-relation to the level of literacy.

It is therefore a disincentive for young people who grow up in an environment where the propensity of the youth to get rich quickly is dominant. Knowledge and education take a knock because success in life is easily available without being armed with these tools. On the contrary, these are perceived in some segments of society as elements that delay individual progress. Education itself loses its rightful position in society because it ceases to be relevant to success. In fact poor families in developing countries leading a subsistence or below subsistence existence will often encourage their "excess" child in particular to pursue a quick career over long term education that may or may not in the end turn out to be more productive.

Once the negative social mind set is entrenched, it becomes irrelevant what the nature of any activity is, as long as it leads to rapid economic prosperity. Youth gangs with various common identities turn away from study or social groups. These gangs can range from committing thefts, robberies, drugs dealings, gun running, kidnapping for ransom, etc. Those involved in such activities consider these to be as good or bad career options as getting rich quickly through tax fraud or evasion. It is now common practice in several countries where a person kidnapped for ransom, has the demand money paid by his family to secure his release, but refuses to register a complaint with the police because the ransom money paid never really belonged to him in official records. The kidnapping gangs usually treat the kidnapped person very well during his captivity because he is seen as a client, unless things go wrong or the family of such a person elects to report the matter to the police. Even police officials do not treat such kidnappings seriously knowing that the matter will be resolved through give and take between parties involved. It becomes a case of one thief stealing from another.

Another example of the fall out of the flourishing informal sector is the attitude of "investing" in state institutions for protection of interests. Putting members of district administration, police and judiciary on private pay rolls is an example this trend. Given such serious implications for societies as a whole, it is a fatal mistake by governments to treat tax evasion as a matter to be dealt with by tax authorities alone. Governance based on a long term vision for the future involves taking hard and difficult political decisions that may upset some segments of society in the short run but are in the best interests for ensuring a bright future for the country. Governments that are weak or struggle to retain power will look for easy options that buy them peace in the short run even though the long term effects of their policies may be devastating. Pressure groups in the informal sector are well are aware of this and often try to fashion circumstances that lead to perpetual unstable governance. Whereas the ultimate responsibility for good governance, political and financial discipline rests with the government of the day, citizens and societies have a responsibility towards shaping their future destiny. Unless the crucial need for collective responsibility is understood by the influential segments of society, the chances of success in the fight against illegal money making will unfortunately remain very bleak. Ironically, those with power, wealth and influence in societies are likely to be the biggest losers when systems break down because the down trodden are already at the receiving at of all injustices and inequalities, but the greed for quick riches so blinds judgement of the long term future that people cannot see their own best interests.

TWENTY-EIGHTH CATA ANNUAL TECHNICAL CONFERENCE/WORKSHOP 2007

CATA's Twenty Eighth Annual Technical Conference/ Workshop will be held in Nairobi, Kenya from **6 to 10 August, 2007**.

Venue:

The Conference will be held at **The Hotel Intercontinental**.

Hotel Accommodation:

Delegates will be accommodated in four hotels, all situated within the city centre of Nairobi. Special room rates for bed and breakfast have been negotiated with these hotels (inclusive of all taxes) and on-line booking can be made on the respective hotel's website given below. These rates are quoted in US Dollars. Delegates are requested to book their hotel accommodation early, latest by **30 April 2007** to qualify for these negotiated rates and to ensure availability of desired rooms. Hotel reservations should be done **through email contact** directly with the hotels and information passed on to the Organizing Committee through **catakenya2007@kra.go.ke**. There can be an extra charge for using the hotel's on-line reservation system. Hotel rates are as follows:

1. The Hotel Intercontinental (5 Star)

Rates per night on bed and breakfast

Room Category	Single	Double	No. of rooms available
Deluxe	US$ 173	US$ 193	50
Superior	US$ 193	US$ 213	50

Contact Person - Sophie Ilako (Sales Executive)
Tel. +254 (20) 3200214
Email **sophia.ilako@interconti.co.ke**
Web Site **www.ichotelsgroup.com**
Fax +254 (20) 3200036
Address P O Box 30353 Nairobi, 00200 City Sq, Kenya

2. Hilton Hotel (5 Star)

Rates per night on bed and breakfast

Room Category	Single	Double	No. of rooms available
Contract/Budget	US$ 90	US$ 115	52
Guest Room	US$ 120	US$ 145	80
Deluxe	US$ 150	US$ 175	18

Contact Person - Maureen Ogola (Ag. Director of Sales)
Tel. +254 (20) 250000
Email **maureen.ogola@hilton.com**
Web Site **www.hilton.com**
Fax +254 (20) 250099 / 226477
Address P O Box 30624, 00100, GPO, Nairobi, Kenya

3. Grand Regency Hotel (5 Star)

Rates per night on bed and breakfast

Room Category	Single	Double	No. of rooms available
Deluxe	US$ 141	US$ 167	130

Contact Person - Liz Ayany (Senior Sales Executive)
Tel. +254 (20) 211199 / 220386
Email **lizayany@grandregency.co.ke**
Web Site **www.grandregency.co.ke**
Fax +254 (20) 247131 / 217120
Address P O Box 57549, 00200 Nairobi, Kenya

4. Nairobi Safari Club (5 Star)

Rates per night on bed and breakfast

Room Category	Single	Double	No. of rooms available
Suites	US$ 145	US$ 171	50

Contact Person - Ann Kariithi (Account Manager)
Tel. +254 (20) 251333
Email **akariithi@nairobisafariclub.com**
Web Site **www.nairobisafariclub.com/cata.html**
Fax +254 (20) 224625 / 215137
Address P O Box, 43564, 00100, GPO, Nairobi, Kenya

Topics:

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

1. **Effectiveness of reform measures in tax administration**
2. **International and domestic aspects of tax fraud, evasion and avoidance.**

Background Papers:

Each member country is required to furnish background papers (not more than four A4 size pages each) on both conference topics. The manner in which these background papers should be structuredhas already been conveyed to all members and invited guests along with the conference Circular. Since this year's conference will again be held relatively early in the calendar year, **due date for submission of background papers is 31 March 2007.**

Visas:

Delegates are advised to check their Visa requirements for travel to Kenya well in advance. Information regarding visa requirements is available from Kenyan Embassies/High Commissions in different countries. For more information and to access the embassies, log onto:

www.communication.go.ke/embassy OR www.kenyaimmigration.com.

Health requirements:

Kenya has no mandatory vaccination requirements unless a visitor is from a yellow fever prone area, in which case a certificate of inoculation against yellow fever is required for each person more than one year of age. For more information log on to **www.kenyaimmigration.com.**

Medical care facilities sites include, **www.aarhealth.com OR www.materkenya.com.**

Climate:

The months of June, July and August are the coldest within the calendar year. Temperatures range between100c (500f) and 220 c (680f) with the lowest temperatures experienced during the nights. Delegates are therefore advised to carry some warm clothing. For more detailed weather information log on to **www.meteo.go.ke.**

Registration:

Delegates nominated to attend the conference and special guests are requested to forward their Registration Form duly completed to reach the **Conference/ Workshop Coordinator** (with a copy to the CATA Office) no later than **30 April 2007.**

All registration forms **MUST** be either sent through the designated Country Representative for CATA of the nominating country or clearly endorsed by such authority. **No registration form will entertained unless it meets this requirement.** Delegates are strongly advised to book their hotel rooms early through the hotel's contact person and copy the booking request to the Conference Coordinator.

Conference Coordinator:

Ms Alice Owuor, Deputy Commissioner of KRA will be the **Conference/Workshop Coordinator**. She can be contacted as follows:

Mail:

Kenya Revenue Authority
Domestic Taxes Department
Times Tower, 23rd floor
Haile Selassie Avenue
PO Box 30742, Code 00100, Nairobi
KENYA
Tel.: Tel: +254 20 2817088 or +254 20 251990
Fax: +254 20 241746 or +254 20 342191 or +254 20 315874
Email: alice.owuor@kra.go.ke AND/OR catakenya2007@kra.go.ke

CATA's web site will be updated regularly on conference related matters.

ADVANCING MANAGEMENT POTENTIAL (AMP)

CATA is pleased to announce that Her Majesty's Revenue & Customs (HMRC) of the United Kingdom have completed all arrangements to run the Advancing Management Potential (AMP) training programme for 2007. It is intended for a maximum of fifteen participants.

Dates:
Internet: 4 June to 15 July 2007
Residential: 30 July to 14 September 2007
Internet: 1 October to 31 December 2007

Venue:

HMRC College, Lawress Hall, Lincoln where accommodation and meals will be provided.

HMRC Training Office, Belgrave Road, London. Participant will be located in a nearby hotel where accommodation and meals will be provided.

Course Director:

John Hudson, will be the Course Director for AMP 2007.

Delivery Methodology and Environment:

Every participant is required to complete the three phases of the course, Phases I and III from within their home country. Email access is preferable for Phases I and III, but alternative arrangements can be made for those who do not have it.

Phase I

Online **Pre-residential course while the participants' are in their home countries**. Learning in this period is facilitated by a senior manager under the guidance of the Course Director and involves participants from around the world. Phase I runs over a period of 6 weeks and includes an introduction to key aspects of HMRC organisation and work.

Phase 2

Residential part of the programme that takes place in the UK. Participants stay at the HMRC College at Lincoln and in a hotel in London. This phase takes place over a period of 7 weeks and includes team and individual project work, presentations and workshops involving a wide range of HMRC and other experts, and discussions in operational offices.

Phase 3

Online Post-residential part that takes place in the participants' home countries. The final phase lasts 3 months and involves applying the programme learning to the workplace whilst working via the internet to complete a multinational team project started in Phase II. There is opportunity via the internet to follow up issues arising during the residential part of the programme. Those participants who choose to undertake assignments which aid progress towards the internationally recognised Chartered Management Institute qualification will receive further internet support.

Course Content:

The Advancing Management Potential programme is an intensive and demanding course organized and run by United Kingdom HMRC. It is designed to develop those with the potential to reach the most senior levels in their organisations, especially those involved or interested in organizational, cultural and technical change. The programme has consistently earned top approval ratings from past participants and the UK Chartered Management Institute has accredited the course for a number of modules of its Diploma and Executive Diploma in Management. AMP emphasises leadership, management and strategy in the taxes context. Participants on both courses benefit by working together at various points in their respective programmes. Intending applicants or managers who are unsure whether the AMP programme is most appropriate for a particular individual may contact Sean Rabbett for assistance. His contact details are provided below.

Eligibility:

Candidates should have experience of or the potential for senior management responsibilities. A high degree of proficiency in English is essential. The course is designed for tax officials of the Commonwealth countries, but applications will be considered from other suitably qualified candidates.

Course Fee:

The Course Fee of £8500.00 will cover tuition costs, reading materials, all accommodation and all meals for the duration of the course.

Applications:

Applications should be forwarded to the Course Administrator:

Mr Sean Rabbett
HM Revenue and Customs
International Relations and Capacity Building
1st Floor
Dorset House
Stamford Street
LONDON SE1 9PY
Tel No: 0044 20 8929 2677
Fax No: 0044 20 8929 6757
E-mail: **sean.rabbett1@hmrc.gsi.gov.uk**

Additional information and on-line application forms can be obtained through HM Revenue and Customs web site at: **www.hmrc.gov.uk/intassist/cata_course** or from the CATA web site at **www.cata-tax.org**.

Funding:

Nominees are strongly advised to start seeking their funding as soon as possible. **Confirmation of funding must be received by 22 June 2007.**

Cut Off:

The **closing date** for all applications is **20 April 2007**, one month earlier than usual**.** Soon after this date candidates will be contacted by the Course Administrator. The online course will commence on **4 June 2007**.

COMMONWEALTH TAX INSPECTORS COURSE (CTIC) 2007

CATA is pleased to announce that Her Majesty's Revenue & Customs (HMRC) of the United Kingdom have completed all arrangements to run the Commonwealth Tax Inspectors Course (CTIC) 2007 for compliance/audit officials for 2007. It is intended for a maximum of fifteen participants.

Dates:

Internet: 4 June to 15 July 2007
Residential: 30 July to 14 September 2007
Internet: 1 October to 31 December 2007

Venue:

HMRC College, Lawress Hall, Lincoln, where accommodation and meals will be provided.

HMRC Offices, Castle Meadow, Nottingham. Participants will be located in a nearby hotel where accommodation and meals will be provided.

HMRC Training Office, Belgrave Road, London. Participants will be located in a nearby hotel where accommodation and meals will be provided

Course Director:

Adrian Turner will continue to be the Course Director for CTIC during 2007.

Delivery Methodology and Environment:

The course will be run in three phases identical to those of the AMP training.

Course Content:

The course is intensive and demanding. It is designed for officials who are involved in:

- Examination of business accounts and/or
- Dealing with the training and management of compliance and enquiry staff.

The course provides opportunities to enhance knowledge, skills and techniques in:

- Identification and pursuit of non-compliance to improve the effectiveness of domestic compliance organizations
- Risk analysis in case selection for Individuals, Small and Medium Businesses, and Large Business organisations
- Compliance in a Self Assessment context
- Interviewing techniques
- Representation and Tribunal Skills
- Compliance strategy and influencing taxpayer behaviour.
- IT skills, the impact of e-commerce, internet aided compliance work and issues associated with cross border transactions
- Compliance management and technical issues through meetings with senior HMRC officials
- The course also includes visits to operational tax offices.

The course runs in parallel with the Advancing Management Potential programme (AMP). AMP is designed for those with the potential to reach the most senior levels in their organisations, and deals with organisational, cultural and technical change. Participants on both courses benefit by working together at various points in the respective programmes. Intending applicants or managers who are unsure whether the CTIC programme is most appropriate for a particular individual may contact Sean Rabbett for advice and assistance. His contact details are given below.

Eligibility:

The Course is open to officers involved in audit/compliance work or their trainers and will be of most benefit to those who are comparatively new to business accounts investigation work or who are involved in the training or management of new appointees in this field. **A working knowledge of English is essential.**

Course Fee:

The Course Fee of £8500.00 will cover tuition costs, reading materials, all accommodation and all meals for the duration of the course.

Applications:

Applications should be forwarded to the Course Administrator:

Mr Sean Rabbett
HM Revenue and Customs
International Relations and Capacity Building
1st Floor
Dorset House
Stamford Street
LONDON SE1 9PY
Tel No: 0044 20 8929 2677
Fax No: 0044 20 8929 6757
E-mail: **sean.rabbett1@hmrc.gsi.gov.uk**

Additional information and on-line application forms can be obtained through HM Revenue and Customs web site at: **www.hmrc.gov.uk/intassist/cata_course** or the CATA web site at **www.cata-tax.org**.

Funding:

Nominees are strongly advised to start seeking their funding as soon as possible. **Confirmation of funding must be received by 22 June 2007.**

Cut Off:

The **closing date** for all applications is **20 April 2007**, one month earlier than usual**.** Soon after this date candidates will be contacted by the Course Administrator. The online course will commence on **4 June 2007**.

TAXATION OF INTERNATIONAL TRANSACTIONS (TOIT) 2007

CATA is pleased to announce that arrangements have been finalized to hold the Workshop on Taxation of International Transactions for senior and middle level tax officials for 2007. The Workshop will again be hosted by the Inland Revenue Board of Malaysia.

Duration

It will be a three-week workshop from 6 to 24 August 2007.

Venue and Accommodation

The Workshop will be held at:

The Malaysian Tax Academy
Inland Revenue Board of Malaysia
Persiaran Wawasan
43650 Bandar Baru Bangi
Selangor
MALAYSIA

This is a residential programme; accommodation and meals will be provided at the Malaysian Tax Academy.

Course Objectives

The purpose of the Workshop is to broaden and deepen participants understanding of the rules of international taxation, especially tax treaties, by considering their application in interaction with domestic tax law and to commercial transactions which involve flows of funds across international frontiers.

Workshop Contents

(a) Review basic concepts such as source of income and residence status of individuals and enterprises

(b) Focus on the provisions of the United Nations Model Double Taxation Convention between developed and developing countries and the OECD Model Tax Convention on income and on capital

(c) Highlight practical case studies

(d) International tax audits aimed at countering tax avoidance and the abuse of tax treaties and transfer pricing issues in relation to the operations of multinationals corporations.

Eligibility

Participants should be:

(a) Senior and middle level officials involved in the negotiation of tax treaties, application of tax treaties, or in development of policy or administration in relation to international taxation; or

(b) Tax Inspectors responsible for, or engaged in, the audit of multinational enterprises and of other taxpayers involved in international transactions; and

(c) Applicants must have a good command of spoken and written English.

A maximum of 15 participants will be selected on the basis of regional representation. It is unlikely that more than one candidate per country will be considered for selection.

Financial Assistance

The Malaysian Government will meet the cost of food and accommodation at the Malaysian Tax Academy for the duration of the Course.

Nominating Governments will be required to meet the cost of the return air fares. Participants are advised to bring along an equivalent of US $25 per day to cover incidentals and personal expenses.

Application Procedure

Applications must be made using Form MTA 1 (attached) and must be supported by a medical report on Form MTA 2 (attached). All the applications must be submitted through the applicant's Government to the Malaysian Tax Academy.

The closing date for the applications is **1 June 2007.** Successful candidates will be informed by early July by the Malaysian Tax Academy.

Applicants must furnish a fax contact number and e-mail address in their application forms to expedite communication.

Course Director:

Mr. Mansor Hassan, Deputy Director of the Malaysian Tax Academy will be the Course Director for TOIT 2007.

Further information may be obtained from:

Mr. Mansor Hassan
Deputy Director
alaysian Tax Academy
Inland Revenue Board of Malaysia
Persiaran Wawasan
43650 Bandar Baru Bangi
MALAYSIA
Tel No: 603-8925 6293/603-8925 5611
Fax No: 603-8925 7005/603-8925 7299
E-mail: mansor@hasil.org.my

ANNUAL MANAGEMENT COMMITTEE MEETING 2007

The annual meeting of the Management Committee of CATA will be held at Marlborough House, London on **10 and 11 May, 2007.** It will be preceded by the meeting of the Performance Evaluation Committee on Wednesday, 9 May 2007.

Appointments

New Country Representative

United Kingdom

Mr Douglas Rankin, Senior Policy Advisor, Frontiers and International Tax Treaty Team of HMRC has been notified by HMRC as the new CATA Country Representative for the United Kingdom in place of Mr **John McGinley** who took early retirement from service in September 2006. Mr. Rankin is well introduced to a number of CATA members, especially those who have attended CATA's annual TOIT workshop in Malaysia. Mr. Rankin has been United Kingdom's resource person for the delivery of workshop materials for the past two years.

New Country Correspondent

Australia

Ms Kristy Dam has been appointed as the new Country Correspondent for Australia and took up the position on 2 January 2007. Ms Dam, who has previously held the position of Deputy Director of CATA, took over from Ms Pam Mitchell, who moved to a new position in the Tax Office in December 2006 and will be a Director in the International Relations area with responsibility for international visits and outreach activities. Ms Mitchell will also have extensive dealings with AUSAID.

Singapore

Ms Evelyn Lio, Principal International Tax Officer, IRAS has been appointed the new Country Correspondent for Singapore and replaces Ms Yvonne Lay.

New Regional Director

Pacific Region

Ms Kristy Dam will also be the Regional Director for the Pacific Region and again replaces Ms Pam Mitchell, who previously held that appointment.

New CATA publications

"Tax Evasion and Avoidance"

Revenue generation is a key lifeline for governments, especially in developing countries armed with limited resources but faced with massive development targets. The long standing collaborative relationship between the Governance and Institutional Development Division (GIDD) of the Commonwealth Secretariat (COMSEC) and the CATA Secretariat in providing technical support and training to tax officials throughout the Commonwealth underscores the significant role played by the Commonwealth Secretariat in enhancing institutional capacity building in member countries. That collaboration has now gone further through this publication as a joint venture to maximise revenue collection potential of tax administrations in member countries. It also forms part of COMSEC's wider work on public financial management. This publication is aimed at providing useful information in general and in particular for the Commonwealth countries on the nature and causes of tax evasion and avoidance, and to highlight successful measures and techniques used in various countries for dealing with them. CATA Secretariat would like to record its deepest appreciation of the excellent effort put in and high quality report drafted by Ms Kristy Dam, Deputy Director (Training & Research), who was seconded to CATA Secretariat by the Australian Tax Office from May 2005 to August 2006. During her tenure with CATA, Kristy worked on a number of reports and publications, this being one of them.

"Implementing Large Taxpayer Units"

Amongst various popular trends in modern tax administrations, setting up specialised wings, units or departments for dealing with cases of large taxpayers is one that is attracting a lot of attention in most CATA member countries. Several countries which have very recently embarked upon such projects or are in the planning phase expressed their desire for guidance and best practices material on the subject from CATA. In response, CATA secretariat started this publication aimed at putting together the experience of selected tax administrations that have successfully created specialised departments for exclusive dealing with large taxpayers in their respective countries. This publication too was compiled principally by Ms Kristy Dam. CATA secretariat would like to record is gratitude and appreciation to those member countries that contributed time, resource and information on their respective experiences for the collective benefit of all members of CATA.

"IT Implementation Report"

Automation and computerisation of tax administration functions are vital components of any modern, effective and efficient tax administration. The objective behind this publication is to try to assist member countries, and indeed others too, in sharing the experience of countries that have already gone down this route either successfully or learnt harsh lessons at considerable costs. There are lessons to be learnt from success stories and equally importantly, lessons on avoiding activities and actions that have the potential to end up in financial and resource investment ruin. As usual, this publication is demand based and hopefully will meet the requirements and expectations of those who recommended this project be undertaken by CATA Secretariat. This report too is the outcome of the research and report compilation skills of Ms Kristy Dam.

Other News

TRAINING IN EQUALITY ISSUES FOR GOOD GOVERNANCE

A Commonwealth Fund for Technical Co-operation training programme on Equality Issues for Good Governance in the Malta and Cyprus Public Services was recently held in St Julian's, Malta.

The three-day workshop was sponsored by the Commonwealth Secretariat, and took place from 5 to 7 December 2006.

Organised by Malta's National Commission for the Promotion of Equality, the workshop attracted about 40 senior officials from Cyprus and Malta.

The participants were sensitised to equality and non-discrimination issues, thereby creating an awareness of support strategies for the incorporation of non-discriminatory analysis in public policy-making and implementation. This enabled the promotion of an effective, transparent and accountable public service that ensures equality and diversity for good governance and sustainable development.

"This workshop provided participants with a thorough understanding of the equality legislation that is in force in the European Union and the means to implement it," said Richard Gold, Interim Director of the Secretariat's Governance and Institutional Development Division.

"The workshop offered a platform for sharing experiences and identifying best practices from the region that could be shared in the Commonwealth. Discussions revolved around enhancing the principle of inclusion in the public service and making public policy work more efficiently on promoting equality issues."

Dr RoseMarie Endeley, the Division's Adviser on the Caribbean and Mediterranean, added: "This programme contributed to the enhancement of the participation of minority individuals in socio-political and economic decision-making processes. It also helped them to develop executive management skills for equality-related advocacy and policy development. Another aim was to promote awareness of gender-responsive public expenditure and management."

MUNICIPAL FINANCE IN FOCUS AT COMMONWEALTH WORKSHOP

Some 30 government officials from 18 Commonwealth countries attended a recent workshop in the UK aimed at strengthening the capabilities of staff involved with finance and municipal budgeting. They were able to learn about best practices and to share views on ways to improve administrative processes to enhance public services.

Funded by the Commonwealth Fund for Technical Co-operation, the workshop was conducted at the University of Birmingham's School of Public Policy from 27 November to 1 December 2006.

Mike Chisoni Kachere of Malawi's Ministry of Local Government and Rural Development said this workshop was very beneficial to him. "The sharing of experiences from different countries revealed a lot of similarities that exist regarding the problems of revenue mobilisation and management, which was useful."

Richard Gold, Interim Director of the Commonwealth Secretariat's Governance and Institutional Development Division (GIDD), which managed the workshop, pointed out that: "A critical determinant of the effective performance of sub-national and local governments is finance — their ability to mobilise financial resources and to use them effectively and efficiently.

"Hence, there is an increased responsibility on Commonwealth sub-national and local governments for the delivery of public services and the achievement of the Millennium Development Goals."

GIDD Programme Adviser Dr Munawwar Alam added that the programme would assist member governments in better incorporating local governments — which are closer to ordinary citizens — into the governance process.

"Financing of municipal infrastructure and service delivery is critical to quality of life issues. Citizens expect their local governments to give voice to their concerns on the national stage too," said Dr Alam.

NEW PUBLICATION:

“Commonwealth Secretariat Publications Catalogue 2007”

The Commonwealth Secretariat’s 2007 Publications Catalogue has just been issued. It has been comprehensively redesigned, and contains 30 new titles on economics, education, gender, human rights, law, public administration and small states, as well as key best-selling titles from past years.

These books, working papers and expert reports are derived from experiences around the Commonwealth. Available topics include agriculture and environmental issues, debt, health, information and communication technology, tax policy, world trade and youth affairs.

Research from the Secretariat is among the most authoritative and cutting edge in the world in the above-mentioned fields.

48 pages

The catalogue can be downloaded free of charge from

http://www.thecommonwealth.org/document/157216/2007_publications_catalogue.htm

Alternatively, e-mail publications@commonwealth.int to receive a hard copy by post.

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

News from Members

AUSTRALIA

Country Correspondent:
Ms Kristy Dam

Cross Agency Co-operation

Michael Monaghan, Deputy Commissioner, Serious Non-Compliance

Increasingly, to deter, detect and deal with crime against the administration of Australia's tax system, we are operating at policy, strategic and operational levels with other agencies (the Australian Federal Police, the Australian Crime Commission, the Australian Securities and Investment Commission, and AUSTRAC). Together, we are building an effective enforcement capability to address serious non-compliance.

By working in joint taskforce arrangements, we are able to apply a very powerful range of remedies and powers to combat fraud and evasion. For example, the police have access to surveillance and intercept powers, the Crime Commission has compulsory coercive examinations powers, the Tax Office has access to civil powers of audit and financial penalties and the Australian Securities and Investment Commission has powers to prosecute for breaches of corporations law.

Project Wickenby:

The Government has stressed that the key outcome in this Project is to protect the integrity of the taxation system. Towards this outcome, in February 2006, the Government announced funding of $305 million over six years to the Tax Office and its partner agencies to fund a multi-agency taskforce to address tailored tax avoidance or evasion arrangements, which were being promoted on an international basis. Revenue at risk is conservatively estimated to exceed $300 million.

The arrangements unearthed are tailored to mainly newly wealthy taxpayers, and to their individual circumstances, and allegedly rely on falsity, international complexity and confidentiality to create tax mischief, commit corporate fraud, defeat creditors, launder money etc.

Project Wickenby is being managed at the cross agency level, with the Tax Office being the lead agency. Management arrangements are run through two high level cross agency forums, the Project Wickenby CEO meeting (meets quarterly) and the Project Wickenby Cross Agency Advisory Committee (meets monthly). This is the first time that these five agencies, supported by AUSTRAC, the Attorney-General's Department and the Australian Government Solicitor, have brought their expertise and considerable powers together in such a way to deal with international tax avoidance and evasion.

What is the overall approach in Project Wickenby?

The immediate focus is to take decisive action against an identified initial promoter, its Australian associates and clients. When the additional funding for Project Wickenby was announced, there was a clear message that participants and promoters shown to be involved can expect to have the full force of the law applied to them.

There are a range of strategies to protect the integrity of Australia's revenue base depending on the particular circumstances:

- Civil investigations (under the tax law or the corporations law) to tax unreturned income and to improve compliance and market regulation,
- Seeking court orders to forfeit proceeds of crime,
- Criminal investigations conducted by the ACC and the AFP, which can result in referral for prosecution to the Commonwealth Director of Public Prosecutions, and
- Administrative remedies with the effect of removing participants from the industry following investigations by ASIC.

The strategic approach that has been jointly taken in Project Wickenby, that exemplifies the roles played by respective agencies, is outlined below.

1. *Encouraging voluntary disclosures*

The overall project strategy is to maximise the incentive for voluntary compliance (including voluntary disclosure) and to establish a strong deterrence to future promotion and participation. The tax law provides significant penalty discounts where taxpayers make a full and true voluntary disclosure. In Wickenby matters we expect any voluntary disclosure to include the provision of known details of the promoters who designed, sold or implemented the scheme, and the known details of the methodology employed.

Where taxpayers do make a voluntary disclosure and that disclosure indicates possible criminal offences, and where:

- the case does not exhibit a significant degree of criminality,
- the taxpayer provides information about how the arrangements worked, including the role and identity of the promoter, and
- the taxpayer cooperates with the investigation and consequential proceedings,

the Commonwealth Director of Public Prosecutions has indicated that he will give favourable consideration to the granting of an indemnity from criminal prosecution, in relation to the taxpayers involvement in the scheme.

2. *Civil Investigations*

The Tax Office audits (civilly investigates) taxpayers to identify tax avoided on income available in Australia. There are substantial penalties and fines.

The Australian Securities and Investment Commission investigates matters on a civil basis to ensure proper corporate regulation, market transparency and consumer protection. International schemes can involve false dealings with securities, false accounting and breaches of directors' duties.

3. *Proceeds of Crime*

Under Commonwealth legislation, proceeds of offences against Commonwealth laws (such as the tax law) can be forfeited to the Commonwealth by order of a court. The police and other agencies investigate proceeds of crime matters, whilst the Commonwealth Director of Public Prosecutions has the function of conducting the litigation.

In cases involving serious offences the Commonwealth Director of Public Prosecutions is only required to prove proceeds of crime matters to the civil "standard of proof" (on the balance of probabilities). In such cases it is not necessary for any person to be charged, and sometimes these matters are resolved in advance of related criminal prosecutions proceeding.

In Wickenby, one proceeds of crime matter has restrained in excess of $10m in assets. Other proceeds of crime matters are likely.

4. *Criminal Investigations*

Criminal investigations are being managed by the Australian Crime Commission and the Australian Federal Police.

Serious offences under consideration in Wickenby include –

- Defrauding the Commonwealth
- Corporations Act offences including
  - i. Breaches of director's duties
  - ii. Market offences
  - iii. Financial services industry offences
- Obtaining a financial advantage by deception, and
- Structuring or money laundering offences

Legal Constraints – How they have been managed:

While there are great benefits in the multi-agency approach, care must be taken to ensure that legal processes are complied with. Two areas that have had to be tightly managed are around information sharing and separation of powers.

Information Sharing:

Information sharing between agencies is possible but is currently very tightly controlled, for good public policy reasons. This particularly applies to tax information.

The Government has announced that they propose to amend the law to enable the Tax Office to share information for the purposes of the Wickenby multi-agency taskforce.

Separation of Powers:

The Tax Office provides a clear separation between the role of an auditor and that of an investigator.

An auditor can use the administrative powers under sections 263 and 264 of the Income Tax Assessment Act.

An Investigator cannot use these administrative powers. An investigator must seek to use search warrants issued under the Crimes Act or Excise Act to gather evidence for prosecution purposes.

In working in cross-agency task force arrangements, where audit and investigation actions may be undertaken concomitantly, there is a need to closely monitor our adherence to these legal requirements.

Multi-agency operations of this scale place substantial pressure on ensuring tight compliance with due process.

The Multi-Agency Taskforce Approach – Governance Arrangements:

Agency roles and responsibilities

Under the multi-agency taskforce approach, each agency's involvement is consistent with its statutory powers and functions:

a. The **Tax Office** will obtain information, conduct analysis, investigations and audits, while supporting prosecutions of criminal and civil matters arising from the initial promoter and other promoters. An initial risk assessment of the other international promoters will guide the selection of promoters and/or individuals for further investigation and/or review, and subsequently the involvement of multiple agencies where warranted.

b. The **Australian Crime Commission** manages the initial nine criminal investigations. Additionally, the Australian Crime Commission provides the deployment of an additional examinations team to assist the Australian Federal Police and the Tax Office leverage the use of coercive powers and accelerate the dismantling of organised syndicates.

c. The **Australian Federal Police** conducts criminal investigations including other high risk international promoter schemes referred by the Tax Office. The Australian Federal Police's focus includes key organisers and facilitators of tax fraud, as well as higher risk taxpayers involved in these schemes.

d. The **Commonwealth Director of Public Prosecutions** progresses prosecutions that result from Project Wickenby and is involved in cases, where appropriate, as early as possible. Prosecutorial activity includes summary offences, proceeds of crime actions and complex criminal prosecutions.

e. The **Australian Securities and Investment Commission** will review the international structures and advise the Tax Office on likely Corporations Act offences, such as substantial shareholding provisions, market manipulation, illegal share acquisitions, financial services industry issues and directors' duties.

A Program Management Office has been established within the Tax Office to oversee the cross agency arrangements and progress, and ensure proper project management and governance processes are implemented. The Program Management Office will have responsibility for reporting to government on expenditure, revenue and outcomes, for all agencies.

Cross Agency Governance Arrangements

The ability of the Commonwealth to address this attack on the revenue is highly dependent on all agencies having the collective capability to respond and collaborate. To make it work, however, takes a significant shift in agency cultures at both operational and senior management levels. The most difficult issue being faced is how to get outcomes faster. The traditional linear ways of managing casework are no longer appropriate. There are multiple options for achieving an outcome and the most efficient and effective outcome may result from handing the case over to another agency and allowing their remedies to apply.

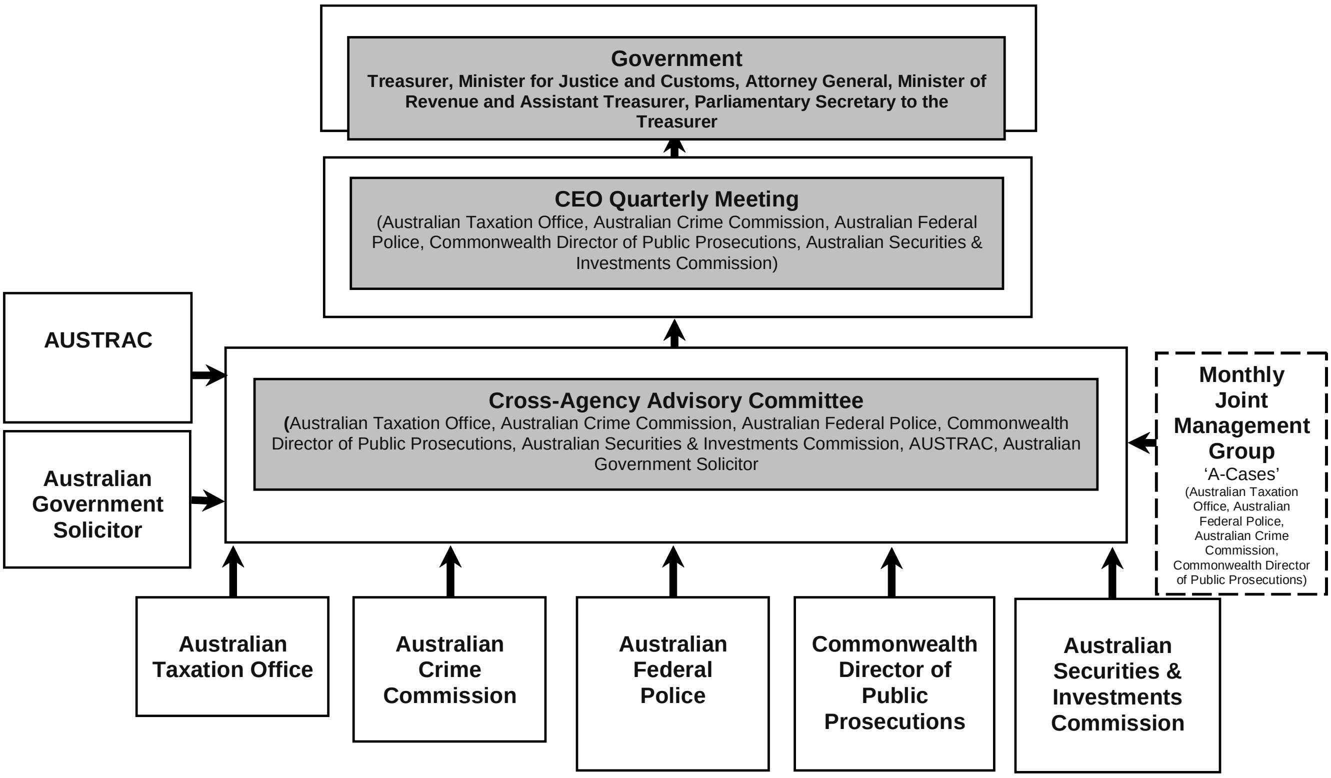
To support this approach, it is necessary to have the right infrastructure in place. This has been achieved through the early development of agreed governance arrangements.

The Project Wickenby Terms of Reference, which clarify the objectives and the broad strategic approaches, were jointly agreed. These provide an agreed basis under which the participating agencies shall undertake and coordinate their Operation Wickenby activities.

The *Project Wickenby Cross-agency Advisory Committee* meets monthly and includes senior representatives from each partner agency (including AUSTRAC and the Australian Government Solicitor) and is chaired by the Tax Office. The Committee focuses on strategic risks, cross agency approaches, legislative or other impediments, improving cross agency working arrangements and assists with planning and reporting, including reporting to government.

The Project Wickenby CEO Meeting meets quarterly to review progress on implementation. In particular the CEO forum seeks to resolve any cross agency impediments that arise.

There have also been cross agency forums established at the operational level, such as the Project Wickenby Joint Management Group which oversees the approach for the criminal matters which are under the management of the Australian Crime Commission.



In addition to cross agency management meetings, the agencies come together to manage the risks and to determine and implement cross agency strategies such as the Risk Mitigation strategy, International Promoters' Strategy and the Project Wickenby Communication Strategy.

Decision impact statements

We have commenced publishing documents we call "Decision Impact Statements" on our ***website*** as part of our extensive externally accessible legal database. These statements summarise important court and tribunal cases when a decision is handed down in the case. It gives a commentary on the Tax Office view on the implications of those decisions and how the law will be administered as a result of the decision.

The purpose of publishing these statements is to communicate to the community the Tax Office view on the implications of a Court or Tribunal decision, in all decisions adverse to the Commissioner and other Court and Tribunal decisions considered significant.

A cornerstone of our administration is to help taxpayers understand their obligations under the law. Litigation provides an opportunity for taxpayers who disagree with our views to have a court or tribunal provide certainty about what the law means. This provides greater certainty to the entire community and assists taxpayers to meet their tax obligations.

Australia's Inspector-General of Taxation in his report into the Tax Office's litigation practices last year, highlighted concerns expressed by the community that the Tax Office is perceived to be "operating behind a veil of secrecy as to implications of finalised court and tribunal decisions." While we did not agree that we operate behind a veil of secrecy, we readily agreed that this was an area where we could improve our transparency, and agreed with the recommendation to produce a standard communication product.

Actual court and tribunal decisions themselves are already published on the external Tax Office website. The system will now automatically insert a link from the decision to the Decision Impact Statement (DIS).

Importantly in these statements we identify any consequences for our Public Rulings, and other publications that may have been affected by the decision. If we accept the outcome of the decision and we find that our Ruling is wrong, we will withdraw or amend the Ruling and we will give that undertaking in the statement. The Tax Office hopes that this will not only promote transparency in tax administration but will also provide taxpayers with increased certainty when organising their tax affairs.

On the website the statements are categorised between 'current' or 'resolved'. A 'current' case is one where we need to update a Public Ruling or ATO ID or there is some other form of administrative action that needs to be taken. A 'resolved' case is one where no further action is needed to be taken by the Tax Office as a consequence of the decision (other than giving effect to it for that particular taxpayer).

We aim to have a DIS published within eight weeks of a significant court or tribunal decision being made final. This takes into account the four week period usually available to either party to decide if they wish to appeal the decision. The DIS contains the following information:

- Details of the case: venue, date of decision, whether an appeal is on foot;
- Subject References;
- Brief summary of facts;
- The issues decided by the court or tribunal (with a hyperlink to the full decision);
- Relevant legislation and case law;
- Tax Office view of the decision; and
- The administrative treatment of the decision. For example how the Tax Office will apply the decision including any implications on current Rulings and Determinations. The DIS may simply explain how the Commissioner will administer the law pending any review of a published Ruling.

Under the last dot point, any Tax Office precedential views, such as Public Rulings, that are impacted and under review as a consequence of the decision will not only be hyperlinked, but the actual document will be flagged with a note that states that it is currently under review.

The public are given the opportunity to provide comments and advise the Tax Office if they feel that the DIS has not identified a Tax Office publication which requires reconsideration or amendment. The DIS provides details of who can be contacted about the DIS. The contact officer will either respond to any external representations themselves or ensure that the representations are referred to the relevant area of the Tax Office that may be able to assist.

So far, the feedback from the Australian community about this initiative has been positive, but there is no doubt that a product such as this will generate strong comments from those who disagree with our position in any one case. Still, as an organisation that strives for transparency and providing certainty to the community about the law, we are confident that this is a step in the right direction.

CAMEROON

Country correspondent:
Fiekfu Francis

CHANGES IN CAMEROON'S TAX LAWS

By law No: 2006/013 of 29th December 2006 of the Republic of Cameroon for the 2007 Finance bill and circular No: 0004/MINEFI/DGI/LC/L of 25th January 2007 to specify the methods of application of the fiscal provisions of the said bill, the policy objectives of ameliorating the mobilisation of revenue and the reinforcement of the institutional capacity of the fiscal administration on the one hand, and the necessity to accompany and promote investment on the other hand started some years ago have continued.

Following the attainment of the completion point of the HIPC initiative by Cameroon, the opportunity has come for the institution of incentive investment measures, amongst which is the mechanism of reduction of taxes on grounds of investment; a measure that incites enterprises to increase their production machinery.

In the same spirit and in favour of the effective putting in place of the Stock Exchange Market in Cameroon, appropriate measures to encourage the stock sector have been adopted.

Finally, other modifications of the General Tax Code are pursued within the framework of the functional and territorial reorganisation of the decentralised services of the Directorate General of Taxation following the putting in place of the centre for Small and Medium Size Enterprises.

In point form, the following specific modifications have intervened within the framework of this finance bill.

I – COMPANY TAX

1) **– (Section 7-D) – Depreciation rate specific to rail way activities**

In order to complete the introduction of depreciation rates specific to rail way activities in our legal provisions started in the last finance bill, new materials have been taken into account by the 2007 finance bill.

It is, on the one hand, the acquisition of carriages to transport persons and on the other hand the acquisition of wagons for the transportation of goods.

As such, the determination of the net taxable profit of enterprises belonging to this sector is undertaken by the deduction of their depreciation provided for in section 7-D of the General Tax Code.

2) – Restoration of the regime of mergers, splits and partial contribution of assets.

The 2007 finance bill has restored the regime of the restructuring of enterprises which was erroneously repealed during the modification of section 9 by the 2006 finance bill.

Consequently, the capital gains realised by public limited companies or limited liability companies and relating to the operation of merger, of split or partial contribution of assets are exempted from the profit tax of these companies.

However, the benefit of the aforementioned exemption is subject to the triple conditions that:

- the absorbing or new company, as well as the transferee or assignee companies have their registered office in Cameroon or in another CEMAC country;
- the contributions shall take effect on the same date for the various assignee companies and shall thus entail from the date of realisation, the immediate dissolution of the assignor company in the event of merger or split.
- the instrument of merger or contribution shall mention expressly the obligation to calculate in respect of assets other than merchandise included in the contribution, the annual depreciation to be set against profits and the subsequent capital gains resulting from the realization of such assets on the basis of their cost to the merging or contributing companies, less any depreciation already shown by them.

II – PERSONAL INCOME TAX

(Section 90) – Reduction of the rate of capital gains made by natural persons from built-on or non-built-on property.

Up to the 2006 finance bill, the capital gains made by natural persons from built-on or non-built-on property was subject to a flat rate deduction of 25%. The 2007 finance bill has brought this rate to 10%.

As in the past, the aforementioned tax shall continue to be deducted by the notary on behalf of the vendor.

III – REGIME FOR REINVESTMENT

The introduction of this regime is aimed at ameliorating the productive capacity of enterprises within the framework of the putting in place of incentive measures to investment.

Any natural or moral person reinvesting in Cameroon may benefit from the reduction of company tax or personal income tax if he fulfils the substantive and formal conditions previewed by the provisions of sections 105, 106 and107 of the General Tax Code.

(1) A/ (Section 105) – Substantive conditions

To benefit from the reduction of taxes, the reinvestment must be realised in the tourist, industrial, agricultural, mining and forestry sector and must have a global amount equal to or more than Fcfa 25 000 000 (twenty five million).

The investments include, the construction or extension of permanent buildings with new materials and the necessary accessories permanently embedded in a fixed location or materials, and specialized accessories in so far as they constitute a natural and indispensable complement not usable for any other purpose.

Equally eligible are, expenditure related to the preparation of the soil, sowing on industrial plantations, on the acquisition, renewal or installation of equipment for production, processing, packaging and conservation in food-processing activities as well as any investment of a social character;

Also, enterprises involve in the information and communication technology sector, whose specialised materials are not susceptible to any other use, shall have the right to the benefit of reinvestment, with the exclusion of software.

B/ (section 106) – Formal conditions.

Enterprises must obligatorily address their file of reinvestment to the General Director of Taxes.

The file must be deposited in two copies and must contain the following documents:

Supporting documents for declared costs (invoices, memoirs, plans, purchase orders, supply vouchers…);

- A copy of the Tax and Statistical Returns (DSF);
- A copy of the table of fixed assets for the year.

(2) C/ (Section 107) – Calculation of the reduction

Tax reductions shall be granted at the rate of 50% of the reinvestments approved provided that they shall not exceed half the profits declared during the fiscal year in question

It should be noted that it is the profits declared and not the profits realised which can be reconstituted after an eventual control. Otherwise, in the event of insufficiency in any financial year, carry forward shall be authorized for not more than three subsequent financial years. In all cases, the reinvestment regime can not be cumulated with other incentive regimes, what ever is its nature.

IV – FISCAL REGIME OF THE STOCK EXCHANGE SECTOR.

Concerning the taxes of the stock exchange sector and within the optic of promoting this new sector, fiscal advantages have been granted to natural or moral persons realising operations on the stock exchange market of Cameroon. However, only the enterprises that have fulfilled the conditions below shall benefit from a reduced rate of company tax during the first three years that follows their introduction in the stock market. The conditions are that:

- The enterprise has proceeded during the introduction of stocks in the market with an increment of at least 20% of the capital and has taken a commitment before the competent authorities of the stock market and the fiscal administration to remain in the stock market for at least five (5) years.

Besides, enterprises intervening in the bond market of the stock exchange benefit from the same advantages as mentioned above on grounds that they fulfil the aforementioned conditions. Also, capital gains resulting from the current transfer of stocks are exempted only for the net capital gain, meaning the gain actually recorded during the transfer of the stock.

Furthermore, the instruments and conventions for the current transfer of stocks are exempted from registration duties as from 1st January 2007.

V – VALUE ADDED TAX AND EXCISE DUTY

Abolition of the threshold of VAT credit refunds and other measures to deal with the dispensation to withhold at source.

The application for VAT credit refunds is no longer subject to the attainment of the threshold of 25 million of cumulated quarterly credits required in the past. Besides, the number of enterprises authorise to withhold at source have been considerably reduced. In other to safeguard fiscal revenue, taxpayers removed from the list of enterprises eligible to withhold at source are require to attach to their monthly declarations, the list of their suppliers and all services paid for.

VI – REGISTRATION AND STAMP DUTY

Sections 545 and 546 B – Exemption from registration formalities of current account agreements with shareholders.

Whether the convention is sanctioned by an instrument or notice on an operation of the enterprise, there are no longer subject to registration formality.

VII – MANUAL OF TAX PROCEDURES

Reinforcing the investigation capacity of the Administration.

The fixing of transfer pricing in transactions concluded amongst multinationals does not simply result as is the case with independent enterprises, from market forces; other internal considerations to the group may intervene and influence the sharing of taxable profits by the different countries involved in the transactions. The General Tax Code provides in its Section 19, a provision to fight against the illicit transfer of profits abroad to the benefit of parent enterprises, companies or groups not resident in Cameroon.

Meantime, the effective implementation of this provision was never organised in the Manual of Tax Procedures.

In order to effectively fight against the practice of illicit transfer of profits abroad, Section M19 bis has thus been introduce to complete the provisions of Section 19 by endowing the administration with additional means of investigation within the framework of the auditing of accounts of companies.

This measure gives the Fiscal Administration the possibility to request information especially juridical, economic, fiscal, accounting and methodological on the methods by which the prices of transactions were defined between an enterprise and its parent company located abroad. The various methods to detect a price transfer case are the comparable uncontrolled price “CUP”, the resale price method and the cost plus method.

CANADA

Country Correspondent: Ms Christina Lee

The Community Volunteer Income Tax Program (CVITP)

The arrival of the New Year also signals the start of the annual Community Volunteer Income Tax Program (CVITP) clinics for the Canada Revenue Agency (CRA). In 1971, the CRA established these community-based outreach clinics, offering free help to low-income earners, students, seniors, people with disabilities and new immigrants to Canada. The aim is to assist every taxpayer to meet their tax obligations and ensure they are receiving the benefits to which they are entitled under the Canadian self-assessment system. CVITP clinics are offered across the country, quite often in public venues such as libraries, community centres and shopping malls. The program runs from January 1 to April 30 (April 30 being the date by which tax returns from individuals for the previous tax year are due).

The Taxpayer Services Directorate, in the Headquarters Taxpayer Services and Debt Management Branch, manages the CVITP, and CRA agents in Tax Services Offices (TSOs) across the country coordinate the program locally. The CVITP is publicized through print and electronic media and via community service organizations across the country, in Canada's two official languages, as well as other languages such as Chinese and Punjabi where numbers warrant. TSO coordinators are responsible for organizing training sessions and workshops for the volunteers. CRA works with well-known, reputable community organisations to train the volunteers, as well as supplying tax preparation software and computers, to allow them to complete and file returns electronically. To provide an additional level of support, CRA agents are often on hand at the beginning of the program to give extra advice and explanations when needed. As part of learning how to complete tax returns, the critical importance of respecting the confidentiality of taxpayer information is stressed.

In addition to eliciting help from the public, the CRA also collaborates with other federal government departments such as Heritage Canada and Social Development Canada (SDC). With the assistance of Heritage Canada, the CRA was able to promote its clinics to multi-cultural associations and the Aboriginal population in Manitoba. This resulted in new partnerships with two of the largest ethno-cultural groups as well as twelve Aboriginal organizations in that province. In partnership with SDC, the CVITP promoted the new simplified filing options *Services for Seniors* and *Services for Persons with Disabilities*. Volunteers also ensured participants were aware of various other SDC benefit programs for which they may be eligible.

The CRA also collaborates with provincial and territorial governments in delivering the CVITP. For example, since 1988, in the province of Québec where separate federal and provincial tax returns are required from every taxpayer, the CRA and Revenu Québec have worked together to help individuals complete their federal and provincial tax returns.

The CVITP contributes to the overall level of voluntary compliance that historically has been very high in Canada. Of equal importance, it contributes to educating and assisting those Canadians who may be unaware that they are eligible for the social and economic benefits available to them through the tax system. The CITVP ensures that Canadians who are unable to fill out a return or lack the financial means to pay for help to complete their return are still able to fulfill their tax obligations and receive their benefits.

For the 2005 CVITP program, 15,771 volunteers helped their fellow Canadians meet their tax obligations by preparing income tax and benefit returns. To support the CRA's emphasis on electronic filing, the Agency donated 60 used personal computers, complete with tax preparation software, to clinics across Canada. By the end of the program in 2005, volunteers had assisted Canadians with filing 120,370 electronic based returns and 143,136 paper-based returns.

At the conclusion of each filing season, the CRA assesses the effectiveness of the CVITP. The CVITP is now an integral and well-established part of the outreach activities that the CRA offers in support of a fair and transparent tax regime.

Detailed information regarding the CVITP is available on the CRA website at:

http://www.cra-arc.gc.ca/tax/individuals/volunteer/menu-e.html.

Changes in the Senior Ranks of the Canada Revenue Agency (CRA)

On January 12, 2007, Mr. Michel Dorais, Commissioner of the CRA announced his intention to leave the federal public service after a distinguished thirty-year career. Mr. Dorais was appointed Commissioner and Chief Executive Officer of the CRA on December 20, 2004. Immediately prior to his appointment as Commissioner, Mr. Dorais served as Associate Deputy Minister and then as Deputy Minister, in the Department of Citizenship and Immigration. In a press release on January 26, the Prime Minister thanked Mr. Dorais for his dedication to the Public Service and for his excellence in serving Canadians over the years, and wished him all the best in his future endeavours.

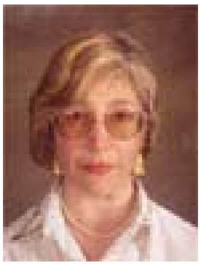
On January 26, 2007, Prime Minister Stephen Harper appointed Mr. William V. Baker to succeed Mr. Dorais as Commissioner of the CRA effective April 2, 2007. Mr. Baker first joined the CRA, or as it was known then, Revenue Canada, Taxation, in 1987. He subsequently took on increasingly senior roles, leading up to his appointment as the Assistant Commissioner of the Compliance Programs Branch. In 2003, Mr. Baker left the CRA to become the Commissioner of the Canada Firearms Centre. In May 2006, Mr. Baker returned to CRA and was appointed Deputy Commissioner and Chief Operating Officer.

The biographies of Messrs. Dorais and Baker can be found on the CRA website at:

http://www.cra-arc.gc.ca/agency/commissioner/menu-e.html

The official announcement of Mr. Baker's appointment can be found on the Prime Minister's website at:

http://www.pm.gc.ca/eng/media.asp?category=1&id=1508



CYPRUS

Country Correspondent: Mrs Athina Stephanou

Training within the Department of Inland Revenue in Cyprus

The Department of Inland Revenue and in co-operation with the Cyprus Academy of Public Administration in years 2007 and 2008 will offer specialized training to its staff, that will assist in carrying out their work more efficiently.

The training programmes will be sponsored by the European Union under EU programme INTERREG III and the Transitional Facility for new member states.

The training will take place in Cyprus, on the needs identified relating to EU matters, having in mind the EU tax directives and the contribution that direct taxation must make towards the achievement of Lisbon strategy. Trainers will be EU experts.

The training programmes under INTERREG III have already been agreed and these will involve the following:

- Explanation of the OECD model Tax Convention on Income and on Capital.
- Tax audit of specific sectors of the economy e.g. banks, insurance companies, developers etc
- Evaluation of Internal controls in taxpayers systems to identify risk areas for audit. Means for advice of taxpayers to develop/improve internal controls so as tax compliance is achieved.
- Efficiency in the Collection of Taxes

Furthermore a manual on methods and techniques on desk and field audits will be prepared in printed and electronic form. Experts will be provided by the Hellenic Ministry of Economy and Finance School.

At the moment a need analysis is carried out by the experts to identify the training needs that will be covered under the Transition Facility. Experts will be provided by the European Centre of Constitutional Law (Themistokli and Demetri Tsatsou Foundation) in Greece and HAUS (Finnish Institute of Public Management).

It is expected that after these programmes the quality of work and the productivity of employees will significantly improve and the support to taxpayers especially to SMEs will broaden.

Aim : Encouragement and increase in Voluntary Compliance.

GUYANA

Country Correspondent: Ms B F Hussein

Value Added and Excise Taxes

Implementation

Guyana has implemented the Value Added Tax Act # 10 of 2005 and the Excise Tax Act #11 of 2005 as of January 1, 2007. The VAT rate is set at 16% and the threshold for the registration of businesses is G$10M. Value Added Tax has replaced six tax types including Consumption Tax, Hotel Accommodation Tax, Entertainment Tax, Purchase Tax, Service Tax and Telephone Tax while Excise Tax is being charged on four (4) categories of items viz: petroleum products, tobacco products, alcoholic beverages and motor vehicles with rates dependent on the item.

The taxes are being administered by the newly established Value Added and Excise Taxes Department. The Department is headed by a Commissioner who is assisted by a Deputy Commissioner and four (4) Assistant Commissioners.

The Department commenced registration of taxpayers on October 1, 2006 and to date has a tax roll which exceeds 2,000 in number. In order to establish a good relationship with taxpayers, to gain their cooperation and to enhance the image of the Department, a Tax Advisory Visit programme was launched shortly after the commencement of registration. The objective of the programme is to ensure that registered taxpayers understand the obligations placed on them by the Acts and are complying with their requirements.

Amendment to the VAT Act

The VAT Amendment Act was passed in the National Assembly on January 23, 2007. The Amendment gives the Finance Minister powers to determine the list of items to be zero rated or made exempt without first seeking the approval of the National Assembly. The Amendment also allows the Minister, by Order, subject to affirmative resolution of the National Assembly to increase or decrease the monetary amounts set out in the Act and to amend Schedules III, IV and V.

Public Education Programme

The Authority has embarked on a continuous public education campaign, which commenced during the last quarter of 2006, and has conducted extensive seminars, workshops and other educational programs on both radio and television. Particular attention has been paid to educating registered taxpayers on the record keeping necessary to fulfill the obligations placed on them by the Acts. In addition, public notices, leaflets and booklets have been produced and widely distributed with the aim of educating the public on all they need to know about Value Added Tax.

Budget Presentation

The Minister of Finance presented the 2007 Budget to the National Assembly on Friday, February 2, 2007. In his presentation the Minister announced an increase in the personal income tax allowance from G$300,000 per annum to G$336,000 per annum.

Institutional Strengthening

TRIPS

Crown Agents of the United Kingdom was contracted to supply and install the new system, Total Revenue Integrated Processing System (TRIPS) to bring together all registered VAT, Internal Revenue and Customs and Trade taxpayers onto a single database previously stored separately by individual Departments.

The system has been installed however full integration will be achieved by the second quarter of 2007. Currently the Departments of Customs and Trade Administration, Internal Revenue and Value Added and Excise Taxes operate separate systems.

In this situation TRIPS operates “Tax Type” areas for these separate revenue activities. However, through the Taxpayer Identification Number (TIN) system, which was implemented in May 2006, it maintains one central record of basic Bio data (Name, Address, Type of Business etc.) whilst at the same time allowing separate registration of the different tax types.

Licence Revenue

The Licence Revenue Office, which was previously a Division of the Internal Revenue Department, was de-linked from that Department as of November 2006. The Division now functions as an independent unit and is headed by a Director who reports directly to the Commissioner – General of the Authority.

Organisation and Management Review

As part of the Fiscal and Financial Management Programme, implemented by the Government of Guyana and funded by the Inter American Development Bank, PricewaterhouseCoopers Management Consultants Ltd., of Trinidad, has been contracted to conduct an Organisation and Management review. The review is intended to contribute to the improved performance of the Guyana Revenue Authority through a review of the structural arrangements and propose an appropriate framework for strengthening the Authority's organisation and management capacity and hence lead to improved operational effectiveness.

Training/Conferences

The Authority continued in its efforts to maintain a skilled, knowledgeable and professional work force. To this end, several staff members attended workshops/ seminars /conferences.

The Director attached to the Enforcement Unit of the Customs and Trade Administration participated in a Caribbean Border Enforcement training program which was held in Barbados over the period November 20 – 24, 2006. The program was hosted by the Royal Canadian Mounted Police and was aimed at advancing regional and international law enforcement efforts towards safe and secure borders.

Mr. Iqram Alli, Assistant Commissioner, Customs and Trade Administration attended a World Customs Organisation Strategic Consultancy Workshop which was hosted by the Customs Administration of Trinidad and Tobago over the period November 27 –December 1, 2006. The workshop was conducted with the aim of developing a pool of consultants who would be capable of conducting strategic analyses within administrations leading to the establishment of credible capacity building projects.

During the period December 6-7, 2006, Ms. Ingrid Griffith, Commissioner (ag), Customs and Trade Administration attended a joint meeting of Immigration, Customs and Regional Intelligence Committees in St. Kitts. The meeting was intended to place in context the analysis of regional security threats and to outline the implications for Immigration and Customs Administrations.

Two Directors attached to the Internal Revenue Department are scheduled to travel to Antigua where they will attend a one-week Program Management course for Audit and Collection personnel. The program is to be conducted by the United States Treasury Department Office of Technical Assistance and is intended to improve the planning and implementation of tax reforms in regional administrations.

KENYA

Country Correspondent: Ms Alice Owuor

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

In the current financial year the Authority is expected to collect an ambitious target of Kshs. 355.4 billion representing a growth of 19.4% over the actual collection in 2005/06. During the second quarter KRA's target was Kshs. 85.98 billion representing 24.1% of the annual target. Actual collection for the quarter totaled Kshs. 84.9 billion giving a performance rate of 98.7%.

Operating Economic Environment

Over the 2006/07 fiscal year, the strong economic performance experienced in 2005/06 was expected to continue. The Government's *Budget Strategy Paper 2006/07 to 2008/09* forecast strong economic growth, declining inflation, increased private sector credit, gradual increase in gross international reserves, robust export performance and a stable exchange rate. However, the mixed economic performance witnessed in the 1st quarter has continued into the 2nd quarter. Key elements of the economic environment over October to December 2006 include:

Inflation: the rising inflationary trend witnessed in the 1st quarter continued into the second. Month on month inflation rose from 13.8 percent in September to 15.7 percent in October, declined to 14.6 percent in November before rising again to 15.6 percent in December. Inflation thus averaged 15.4 percent in the second quarter compared to 11.8 percent in the first quarter and 11.1 percent over the 2005/06 fiscal year. Hence, inflationary performance was at variance with the policy of reducing the rate of inflation.

Exchange Rate: During the second quarter, the Kenyan shilling appreciated against the major international currencies. The shilling exchanged at an average of 70.5

per US dollar in the second quarter compared to 73 in the first quarter. Against the Sterling pound, it exchanged at an average of 136.7 compared to 137.2 during the first quarter. Against the Euro it exchanged at an average of 91.9 compared to 93.1

Interest rates: Interest rates on the 91-day Treasury bill remained fairly stable during the second quarter, ranging from 6.8 percent in October to 5.72 percent in December and averaging 6.22 percent.

Nairobi Stock Exchange (NSE) index: The stock market continued its upward trend, with the NSE index rising from 4,880 points in September 2006 to 5,645 points in December. Thus, the value of investor assets continued to grow at a rate higher than the rate of inflation.

Revenue Performance Second Quarter 2006/07 (October to December 2006)

The revenue performance for the 2nd quarter is summarized in table 1 below. The total target for the quarter was Kshs. 85.98 billion of which Domestic Taxes Department (DTD) was to collect Kshs. 51.0 billion or 59.3%, Customs Services Department (CSD) was to collect Kshs. 34.4 billion or 40% and the Road Transport Department was to collect the remaining 0.7%. Compared to the 2nd quarter in 2005/06 where a total of Kshs. 73.55 billion was collected, revenues were expected to grow by 16.9%.

As shown in Table 1 below, overall revenue performance totaled Kshs. 84.9 billion or a performance rate of 98.7%. Overall, revenues grew by 15.4%. All revenue departments registered significant growth in revenue collection compared to the same quarter in 2005/06. The highest growth rate was registered by Road Transport Department (RTD) at 29.4% (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) followed by Customs Services Department (CSD) at 21.4% and Domestic Taxes Department (DTD) at 12.4%.

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): Amendments contained in the 2006/07 Finance Bill enhanced the role of the ETR in ensuring tax compliance. The Bill also set a December deadline for those who wanted to recover the cost of their ETRs from VAT payable. These measures have led to an upsurge in the purchase of ETRs peaking in December 2006.

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 half of the financial year,

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

SIMBA system: the stock management module of the SIMBA system was implemented for bonded warehouses.

Verification: increased emphasis was placed on verification activities focusing on the quality of verification reports and export declarations.

Table 1: (October to December) 2006 Revenue Performance (Kshs million)

Department	*Percentage of Forecast Revenues*	*Target 2nd quarter*	*Actual Collection 2nd quarter*	*Performance Rate*	*Actual 2005/06*	*Growth over 2nd quarter 2005/06 (%)*
Domestic Taxes	59.3%	51,017	50,390	98.8%	44,815	12.4%
Customs Services	40.0%	34,447	34,014	98.7%	28,023	21.4%
Road Transport	0.7%	512	482	94.2%	717	(32.7)%
Road transport Excluding Road licenses	0.7%	512	482	94.2%	373	29.4%
Total	100%	85,976	84,886	98.7%	73,554	15.4%

Transit goods: control of transit goods between Mombasa port and exit points was strengthened with measures including the strict monitoring of transit bonds and monitoring transit entries through the SIMBA system.

Debt recovery: a debt management unit was established and recovery measures put in place.

Road Transport Department

During the second quarter the Security logbook was launched on 16th October 2006

Conclusion

The Authority continues 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.

B. KRA Takes over Land Rent Collection

Kenya Revenue Authority (KRA), being the main government revenue collector, took over the responsibility of collecting and accounting for land rent from those occupying government leased land with effect from the 1st of January 2007. This take over has provided a new dimension in the KRA's compliance enforcement strategy especially for rent incomes. With the potential to routinely access data on property developments, the new arrangement provides opportunities for data matching with information supplied by taxpayers on their income tax returns. It is hoped that this potential will be fully exploited with the upcoming implementation of an ICT-based integrated tax management system for Domestic Taxes.

Currently efforts are geared towards updating the Land Rent records database with a view to properly determining outstanding dues. Concurrently, the KRA's ICT department has started developing a module to computerize the recordkeeping and payments processes, an exercise bound to substantially improve the management of the whole process. The transfer of the collection process from Ministry of Lands should not only improve revenue yield but also enable the Lands Ministry to sharpen its focus on the core activities of land use and physical planning and valuation.

C. World Customs Day

The Government of Kenya could be losing an estimated potential Ksh 6 billion in taxes annually through counterfeits, it was revealed during the International Customs Day, whose theme was '*No to Counterfeiting and Piracy*' marked on 26th January 2007. The US Ambassador to Kenya Hon. Michael Ranneberger while addressing the audience said that the United States was committed to helping Kenya and its neighbours put an end to counterfeiting and cheating which affected both the producers and consumers.

Addressing the same forum, Mr. Michael Waweru the Commissioner General KRA cautioned traders working against the government by engaging in trading in counterfeits and pirated goods which led to loss of revenue. Mr. Waweru said that in an effort to fight the vice, KRA will continuously allocate substantial resources in addition to working very closely with other government agencies, stakeholders and regional revenue Authorities to improve capacities on enforcement and information exchange.

D. Anti-Smuggling Surveillance

In the spirit of wiping out shrewd business engagements, KRA intends to curb smuggling of goods into the country by deploying patrol boats along the Indian Ocean coastline and Lake Victoria. The move is intended toward off maritime threats and to facilitate customs anti-smuggling patrols in the country's waters. The boats will also supplement the Government's effort to guard national waters along the 12km Indian Ocean Coastline and Lake Victoria Basin. Procurement of the boats went through an open tender system and was won by Sinnautic International from Netherlands.

E. TRS for Customs

The Customs Services Department recently unveiled a Times Release Study (TRS) Report developed based on procedures adopted by the World Customs Organisation (WCO). The TRS measures the average time between the arrival of goods and their release to the importer after payment of duties. It also helps identify problem areas in the clearance process to help in the taking of corrective actions.

The TRS is part of ongoing efficiency improvement initiatives within the Customs department which has seen tremendous change following the implementation of the SIMBA 2005 electronic clearance system. The department is also considering mechanisms for addressing its large taxpayer's constituency, of which the Top 100 are estimated to contribute almost 40 % of Customs revenue.

F. Changes at Domestic Taxes Department

Mr. Andrew Okello who served in Domestic Taxes Department as Commissioner for Domestic Revenue has been appointed to the International Monetary Fund as the Regional Advisor with effect from 1st January 2007 and will be under the East Africa Regional Technical Assistance Centre to oversee operations in Kenya, Uganda, Tanzania, Rwanda, Malawi, Ethiopia and Eritrea.

Congratulating him on the new appointment the Commissioner General Mr. M G. Waweru said the Authority welcomes his appointment as it is a positive career move for him as well as a recognition of the expertise and capacity available within the Authority. He at the same time thanked Mr. Okello for his dedicated five years with the Authority and wished him well in his future endeavors.

Mr. Okello joined KRA in 2001 as head of the Research & Corporate Planning Department from the Ministry of Finance where he had served as Assistant Director within the Fiscal & Monetary Affairs Department. While at the Ministry, Mr. Okello was responsible for Trade and Tax policy issues.

In KRA, Mr. Okello was among the key figures in designing reform programmes among other administrative measures that have propelled KRA to its current high profile organisation with unprecedented revenue yields.

Mr. Okello holds a Bachelor of Arts (Economics) Honours Degree from the University of Nairobi, a Master of Arts (Development Economics) from Williams College, Massachusetts (USA) and a Master of Business Administration from Bath University (UK).

To replace him, Mr. Fidelis Mulei was appointed in an acting capacity with effect from 1st December, 2006.

G. Integrated Tax Management System

A delegation of KRA and Treasury officers led by the Commissioner of Domestic Taxes – LTO, visited the Chile Internal Revenue Service in mid-December to study the country's Domestic Taxes administration system as a prelude to the implementation of an Integrated Tax Management System (ITMS) for the KRA. The ITMS ranks among the cornerstones of the KRA's reform and modernisation efforts meant to improve tax administration and bring Domestic Taxes systems at par with similar initiatives implemented in other revenue departments. It is expected that the Chile visit will help lay the groundwork for the rolling out of ITMS within calendar year 2007 and to a more efficient and integrated tax administration.

H. Trainings

- Customs Officers Attend Anti-Terrorism Training

Two officers from Customs Services Department attended a six week training on preventing, interdicting and investigating acts of terrorism sponsored by the Office of Anti–Terrorism Assistance, United States Department of State through the US Embassy, Kenya. The course was held in Nairobi from 28th August - 6th October 2006. The theme of the course was "Evil will thrive when good people do nothing." It was facilitated by trainers drawn from retired and current serving Federal Bureau of Investigation (FBI) agents.

- Risk Management Workshop

Senior Management staff from Large Taxpayers' Office underwent a one day workshop on Risk Management. The workshop held on 14th February 2007 set to address issues in Managing Large Taxpayers in modern tax administration, taxpayer compliance and segmentation and the Large Taxpayer Audit. Areas covered included the Audit Planning, Risk Assessment, Audit Processes and Case Management, Tax planning/ avoidance and evasion among other areas.

The sensitisation was aimed at assisting the managers in the planning process i.e. determining objectives, establishing strategies and prioritising activities; it also provided focus on drivers of non-compliance; strategies of minimising non-compliance and provided a structure and a basis of governance and accountability.

I. The Commissioner General Honoured

H.E President Mwai Kibaki has conferred the award of the Elder of the Order of the Burning Spear (EBS) on the KRA Commissioner General, Michael Waweru. The award recognizes the outstanding services rendered by the CG in national matters. Since joining the KRA in March 2003, Mr. Waweru has instituted major reform initiatives which have seen significant process and culture changes and resultant revenue growth exceeding 30% between financial years 2003/4 and 2005/6. Prior to joining the KRA, Mr. Waweru served as Managing Partner at the East African audit and consultancy practice of Ernst & Young, Certified Public Accountants.

MALAYSIA

Country Correspondent:
Mdm Ruedah Karim

INTRODUCTION OF GUIDELINES AND RULINGS BY INLAND REVENUE BOARD MALAYSIA

Following the announcement of 1999 Budget and the subsequent release of Income Tax (Amendments) Act 2002, Malaysian tax system was changed from the official assessment system to self-assessment system.

The new system (SAS), now in its third year for salaried individuals, businesses, partnership and cooperatives and fifth year for companies, has relieved the IRBM of the responsibility of tax assessment. Despite the responsibility of computing tax liabilities being now shifted to the taxpayers, IRBM continues to provide guidance in tax assessment. This comes in the form of simplified tax guidelines and clarified ambiguities in the tax laws through the issuance of public rulings for both taxpayers and officers of IRBM.

In the year 2006 itself, six public rulings were issued and the contents are as summarised below:

Ruling No.	Name (content of Ruling)	Issued (Effective date &Y/A)
1/2006	**Perquisites from Employment** - The distinction between perquisites and benefit in-kind; - Types of perquisites and the tax treatment; - Employer's responsibilities; - Employee's responsibilities.	17.01. 2006 (Y/A 2005 and subsequent years of assessment)
2/2006	**Tax Borne By Employers** - Interpretation; - The tax treatment on income tax of the employee borne by the employer; - Computation of perquisite in relation to income tax borne by the employer; - Computation of perquisite if there is an additional assessment / a reduced assessment; - Computation of perquisite in leaver cases.	17.01. 2006 (Y/A 2005 and subsequent years of assessment)
3/2006	**Property Development and Construction Contracts** - Interpretation; - Date of commencement of business; - Basis of assessment; - Recognition of income for the business of property development; - Recognition of income for the business of construction contracts; - Revision of estimates and tax computation.	13.02.2006 (Y/A 2006 and subsequent years of assessment)
4/2006	**Valuation of Stock In Trade and Work In Progress – Part 1** - Interpretation; - Importance of stock in trade valuation in calculating adjusted income from a business; - Value of stock in trade at the beginning of the basis period; - Bases of valuation of stock in trade; - Market value or total cost; - Work in progress; - Consistency; - Stock in trade withdrawn for own use; - Valuation of stock in trade on cessation of business; - Stock in trade obsolescence; - Diminution in value of shares as stock in trade.	31.05.2006 (Y/A 2006 and subsequent years of assessment) *Continued on page 28*

5/2006	**Professional Indemnity Insurance** - Interpretation; - General; - Professional indemnity insurance; - Deductibility of professional insurance premium expense; - Taxability of insurance proceeds.	31.05.2006 (Y/A 2006 and subsequent years of assessment)
6/2006	**Tax Treatment of legal and Professional Expenses** - Interpretation; - General Principle; - Deductible legal and professional expenses; - Non-deductible legal and professional expenses; - Effective date.	06.07.2006 (Y/A 2006 and subsequent years of assessment)

To-date, 36 public rulings have been issued and these rulings can be downloaded from the IRBM's website at **http://www.hasil.org.my** under the heading of "Laws & Regulations – Rulings". These Rulings have thus far contributed to greater compliance and indirectly, has led to an increase in IRBM's revenue collection, from RM 56.85 billion in the year 2005 to RM 65.75 billion in the year 2006.

In line with the proposals for tax administration to be more transparent, business and client-friendly, as outlined in the 2007 Budget Speech delivered on 1 September 2006 by Prime Minister, the Rt. Hon. Dato' Seri Abdullah Ahmad Badawi, IRBM organised a tax seminar on 6 February 2007. It was launched by the Deputy Minister of Finance and attended by 600 tax practitioners from Kuala Lumpur, capital city of Malaysia. The seminar, part of a series to be conducted nationwide until February 27, was aimed at enabling tax practitioners and the public to get the latest information on tax-related issues and initiatives undertaken by IRBM:

1. Income Tax Property Development and Construction Contract Regulations

These regulations (the Income Tax property Development Regulations 2006 and the Income Tax Construction Contracts Regulations 2006), which come into effect from the Year of Assessment 2006 is introduced to provide certainty in the tax treatment with respect to the computation of the gross income and adjusted income from the property development and construction contract business. The Regulations shall apply to all construction contractors carrying out the construction contracts business. The salient points of the regulations are:

i) Recognition of Income;
ii) Date of commencement of business;
iii) Date of completion of a project or contract;
iv) Revision of estimates;
v) Deductibility of expenses incurred during the defect liability period; and
vi) Final accounts.

2. Setting up of a framework for the conduct of tax audits and investigations

Under the SAS, tax audit is a primary activity of IRBM to enhance voluntary compliance while tax investigation is carried out to curb tax evasion. Taxpayer therefore can be selected for an audit or investigation at any time. To maintain and enhance public confidence in the tax system, the existing "IRBM Guide on Tax Audit" is updated and the Tax Audit Framework and Tax Investigation Framework are issued.

These frameworks, which come into effect on 1 January 2007, provide assurance that tax audit and investigation will be carried out in a fair, transparent and impartial manner. The main areas covered in these frameworks include:

i) Criteria for audit and investigation selection;
ii) Tax audit and investigation methodology;
iii) Rights and responsibilities of taxpayers and tax agents, audit and investigation officers;
iv) Settlement upon completion of an audit or investigation;
v) Offences and penalties;
vi) Complaints;
vii) Payment procedures; and
viii) Appeals.

3. Introduction of Advance Tax Ruling

In an effort to promote clarity and certainty in the interpretation and application of the tax law, IRBM introduced the Income Tax (Advance Ruling) Rules 2007 which come into operation on 1 January 2007.

With the advance ruling in place, individual and corporate taxpayers and potential investors are given the chance to enquire whether their proposed tax arrangement/transactions or company would attract tax.

The salient features of the advance ruling, a written statement given by the Director General on the tax treatment of an arrangement to be undertaken by taxpayer, are:

i) Application is to be made in a prescribed form;
ii) Fees (non-refundable) to be charged on the application for advance ruling;
iii) The ruling is only applicable to the applicant;
iv) The ruling can only be issued based on actual facts and not based on assumptions; and
v) The advance ruling issued by IRBM is not applicable if the facts used in making the advance ruling are incorrect or different.

IRBM, however, shall not make an advance ruling on a provision of the Act that authorises or requires the Minister or the Director General to:

i) impose or remit a penalty;
ii) remit tax due and payable;
iii) approve any application under the Act;
iv) inquire into the correctness of any return or other information supplied by any person; and
v) recover any debt owing by any person.

With the introduction of this new mechanism (Advance Ruling), IRBM has not only succeeded in expanding her services to taxpayers, but has also become more transparent and business and client-friendly, in line with the 2007 Budget's aspiration.

NIGERIA

Country Correspondent: Malik Tukur

FIRS STRATEGIC REFORM FLANKS

In the last write up, we discussed about the efforts the Federal Inland Revenue Service, Nigeria is making in reforming the Service. At the heart of the reform effort is the autonomy of the funding structure as well as autonomy of the service from the civil service set up. The Bills have been passed by the Legislative arm (National Assembly) and is awaiting assent by the Executive President. Other strategic flanks include automation of the bank collection system a.k.a Project FACT. This is the topic for this presentation.

BACKGROUND:

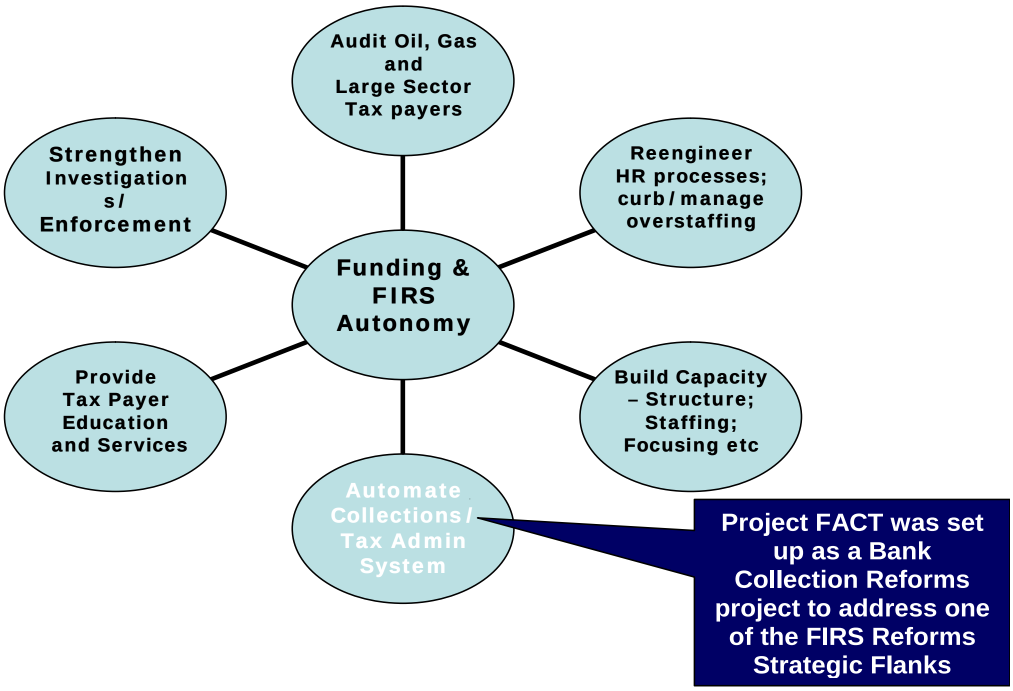
The FIRS Bank Collection Reform Committee was constituted in July 2004, and comprises representatives of the following organisations:

- Federal Inland Revenue Service (FIRS)
- Central Bank of Nigeria
- Office of the Accountant General of the Federation
- Nigerian Customs Service
- Telnet (Nigeria) Limited
- InterSwitch Limited
- The four (4) competitively and provisionally selected Lead Banks.

TERMS OF REFERENCE AND SCOPE OF PROJECT

The Bank Collection Reform Committee was given the terms of reference for their activities, and the committee code-named the project "Project FACT" (**F**riendly, **A**ccurate, **C**omplete and **T**imely).

- Have a thorough understanding of the Collections system and areas of leakages;
- Address issues pertaining to the achievement of an improved collection system devoid of leakages and frauds;
- Finalize development of the InterSwitch/Telnet solution, (as presented), and ensure integration to FIRS long-term needs;
- Execute Solution within agreed timelines;
- Enhance FX component of tax collections;
- Determine organisational and other adjustments which the Service may have to make to take full advantage of the proposed solution;
- Determine Information and Reporting Requirements;
- Develop funding plan and obtain required funds accordingly;
- Develop communication plan to ensure adequate education of all stakeholders in a timely manner and enhance taxpayers confidence;
- Conclude Legal Agreements with all relevant parties;
- Develop a comprehensive data base of taxpayers;
- Develop and obtain approval for Implementation action plan;
- Brief Management on Bi-weekly basis on status of project through formal status reports and;
- Roll out.

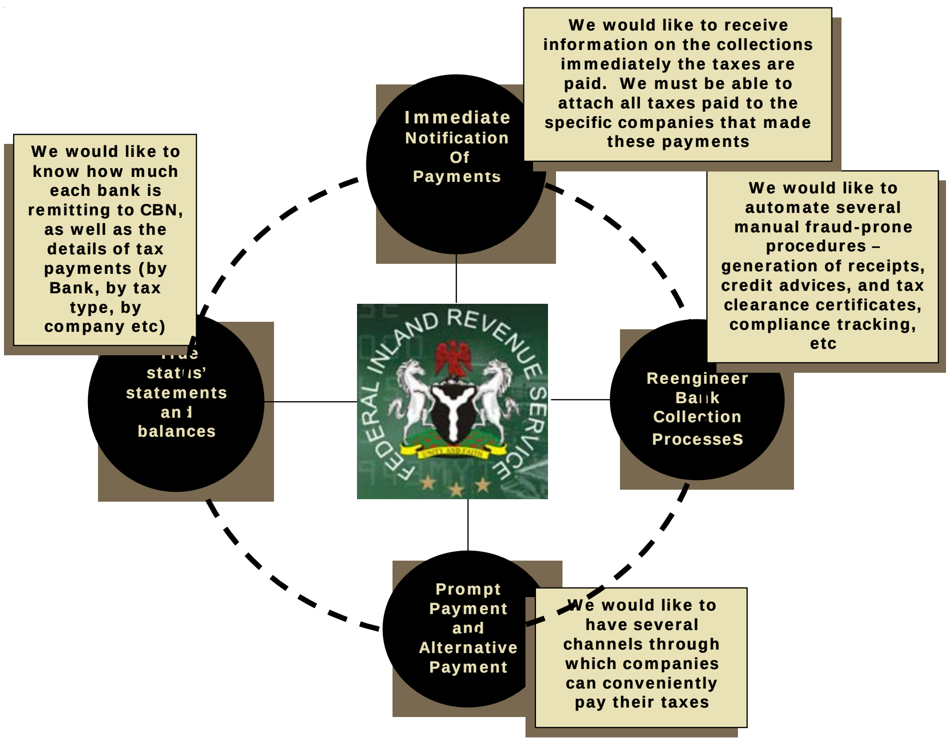


THE CHALLENGE:

How can we have a collection system that ensures that funds collected cannot be delayed, converted or diverted?

DESIRED OUTCOME:

- Instant Tracking and Notification of Payments
  - Online real-time reports of all tax payments
- Introduction of new / alternative payment methods
  - User-friendly, convenient, efficient and without encumbrances.
  - Automatic sweeping of funds from collecting banks to lead banks
- Reduction in number of banks that FIRS relates with
- Online Self-Assessment by Taxpayer
- Elimination of Frauds that pertain to cheques
- Proof of Payment
  - Generates proof of payment from a central location
  - Reports must be available within the system for details of all payments – by tax type, bank branch, by bank, date etc.
  - Generate receipts and credit advices.
  - Single view of all Tax Payments made by a Taxpayer (WHT, CIT, VAT etc)
  - Linking of WHT taxes collected on behalf of a taxpayer to offset Company Income Tax liability
  - Ability to track payments made by taxpayers from a single view – irrespective of tax being paid for, and mode of payment.
  - Consolidated view of tax payments
- Generate Real-time Reports
  - Containing details of payments – by taxpayer, tax type, bank/branch, date etc.
- Online tracking of Taxpayer Self-Assessments
- Reduction in the number of bank books and



reconciliation

- ➢ Remove burden / complexity of Manual Reconciliation
- ➢ Automate the generation of all FIRS Reports

ACHIEVEMENTS TO DATE:

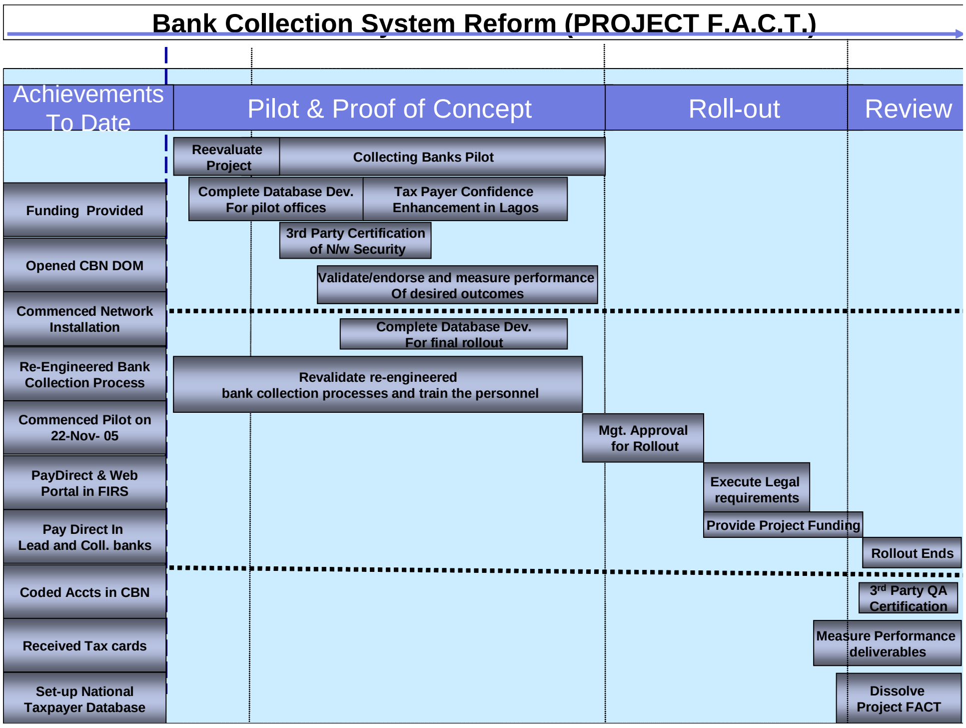
The Committee has achieved the following outcomes:

- ➢ Selected the Lead and Collecting Banks;
- ➢ Concluded and signed Legal Agreements with all Lead and Collecting Banks
- ➢ Commenced the development of reliable taxpayer data base;
- ➢ Commenced building networking infrastructure at Revenue House (FIRS HQ) and all the Integrated Tax Offices;
- ➢ Connected tax offices and Revenue House to Interswitch;
- ➢ Configured all Collecting Banks on Pay Direct for FIRS tax collections;
- ➢ Enabled online real time tracking of payments;
- ➢ Enabled online real time tracking of the pledged Treasury Bills (Tbills);
- ➢ Provided single view of all taxes collected in all the tax offices;
- ➢ Can generate real time payments reports;
- ➢ Opened Domiciliary account with CBN for FX taxes
- ➢ Coded CBN accounts towards accounts consolidation.

WAY FORWARD:

Although the reform has two phases based on the initial plan, emphasis on the way forward is on the Bank Collections Reform (Project FACT). The next phases are:

- Implement Automated Accounting System;
- Implement Integrated Tax Admin System (ITAS);
- Integrate to Corporate Affairs Commission database.



SINGAPORE

News Despatch by: Ms Evelyn Lio

Announcement of Budget 2007

Mr Tharman Shanmugaratnam, Second Minister for Finance, presented the Singapore Budget for the Financial Year 2007/08 on 15 February 2007. In his Budget Speech, Mr Shanmugaratnam reported that the Singapore economy grew by 7.9% and the unemployment rate went down to 2.7% in 2006. He expected the Singapore economy to grow by a healthy 4.5% to 6.5% in 2007 and announced a series of tax and non-tax changes along the following key themes – Building capabilities for the future; Strengthening Singapore's social security system; Revenue structure for the future; and GST offset package.

The tax changes announced in Budget 2007 include:

- a two percentage point reduction in the corporate income tax rate from the current 20% to 18%, with effect from Year of Assessment 2008, to sharpen Singapore's competitive edge;
- an increase in the partial tax exemption threshold for companies from S$100,000 to S$300,000, with effect from Year of Assessment 2008, to help companies start, grow and globalise;
- an increase in the GST rate from 5% to 7% from 1 July 2007 to provide critical additional revenues, together with a $4 billion GST Offset Package to

help Singaporeans adjust to the GST increase. An e-Tax Guide titled "2007 GST Rate Change - How Can I Prepare For A GST Rate Change?" issued to assist businesses with the change in GST rate can also be found at www.iras.gov.sg; and

- enhancements to various tax schemes to encourage the growth of businesses that will contribute to Singapore's role as a global financial and business hub.

Details of the changes announced in the Budget 2007 can be found at: http://www.singaporebudget.gov.sg/budget_2007/index.html.

GST Treatment on Advertising Services

To improve taxpayers' compliance on GST and ensure that GST rules are still relevant to the changing business environment and business models, the GST treatment accorded to the advertising industry has been reviewed.

In consultation with various players in the advertising supply chain, the GST treatment for advertising services were fine-tuned to reflect current business models. GST application rules were also simplified to make it easier for the advertising industry to comply with such rules.

Details of the revised GST treatment on the various forms of advertising services provided by suppliers in the advertising supply chain can be found in the e-Tax Guide "GST Treatment on Advertising Services" available at www.iras.gov.sg.

Income Tax Treatment of Trusts

Trusts are increasingly being employed as vehicles to carry on trade or business. In this regard, there have been requests that concessions and exemptions currently available to various income types derived directly by taxpayers should also be extended to trust distributions received by beneficiaries where the distributions are made out of the same income types.

With the increased use of trusts, it is also necessary to provide greater certainty on the tax treatment to be accorded to trust income under different circumstances and to harmonise the tax treatment of trusts with the tax treatment of a company. The e-Tax Guide "Income Tax Treatment of Trusts" provides details on the changes to the income tax treatment of trusts. This guide can be found at www.iras.gov.sg.

Singapore's Avoidance of Double Taxation Agreements Network

- Singapore has signed Agreements for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income with:
  - Ukraine, on 26th January 2007;
  - Morocco, on 9th January 2007;
  - Qatar, on 28th November 2006;
  - Belgium, on 6th November 2006;
  - Kazakhstan, on 19th September 2006; and
  - Estonia, on 18th September 2006.

The new Agreements will enter into force only after ratification. With the signing of the Agreement with Ukraine, Singapore has signed comprehensive Avoidance of Double Taxation Agreements with 61 countries.

- Singapore has also ratified new Agreements for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income with Brunei, Germany and Fiji. With the ratification of these Agreements, Singapore has in place 54 comprehensive Avoidance of Double Taxation Agreements and 7 limited Agreements.
- The full text of the Agreements can be found at the IRAS website (www.iras.gov.sg).

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