The Commonwealth Association of Tax Administrators

cata Newsletter

Advancing Management Potential (AMP) 2006

Commonwealth Tax Inspectors Course (CTIC) 2006

Taxation of International Transactions (TOIT) 2006

No.4 of 2005

December 2005

Contents

CATA NEWS

OTHER NEWS

NEWS FROM MEMBERS

Editorial

Functions of Modern Tax Administrations

Modern tax administrations are expected to carry out a very broad range of functions. Some of these are deeply routed by definition, history and tradition in the generic structure of tax administrations since the genesis of taxation. Others such as taxpayer education, customer services, automation of processes, etc. are relatively more recent developments but have attained important rankings in the hierarchy of goals and objectives of modern day tax administrations. It is difficult to come up with a universally accepted prioritization of major functions. There is certainly a difference in emphasis for various levels of economic and technological development, levels of mass literacy, geographical, social and cultural peculiarities of specific tax jurisdictions, etc.

The main undisputed function, at least in theory, of any tax administration is the general and effective application of the tax system. In practice and detail, however, there will be major differences in the strategies and tools required for achievement of this objective. Then of course the availability of human and technological support will also determine how different tax administrations set about achieving the undisputed primary function.

There is a broad consensus as to the fact that the priority of a modern tax administration is to increase revenue generation and voluntary compliance of tax obligations by taxpayers. To this effect there are in the great majority of countries, mission statements and objectives set forth by tax administrations that highlight this determination. While historically, the approach of the tax administrations was exclusively focused on controlling compliance of tax obligations and curbing fiscal fraud through penal and coercive tools, at present, a lot of importance is placed on the provision of information and assistance services for citizens as vehicles for promoting voluntary compliance. A framework of transparent and balanced relationships between taxpayers (clients) and tax administrations (service providers) is considered a key document of intent and guidance. Not too long ago, terms like clients and services were not part of fiscal dictionaries. Their inclusion and acceptance reflects changing environments and mindsets that present new opportunities and challenges. Would this now constitute the primary function of tax administrations? It would be a very bold statement to make and one that is not likely to go unchallenged.

What about modernization and automation in the context of developments in the field if information technology and communication such as electronic filing of returns, assistance programs, call centers, web sites and intranet, etc? Can tax administrations afford to ignore these realities and be left playing catch up while taxpayers that they have to deal with acquire latest technologies in managing their affairs and businesses? What about the challenges posed by electronic commerce and globalisation of economic activities? Should these now be the primary concern or fascination of tax administrations? Can such adventures be undertaken without inadvertently taking the foot off the collection and compliance accelerators? There are also new trend like structural re-engineering, development of specialised skills, capacity building, etc. Most of these activities were not part of the total package that tax administrations had to contend with not too long ago. This certainly is the excess baggage of modern day life. The balancing act between demands and resources, identifying priorities without losing touch with other essential tasks, reviewing priorities on a continual basis and maintaining pace with developments all round is now a far more demanding and stressful undertaking. Management of change in itself is a specialisation given the magnitude, frequency and pace of changes that take place in this day and age.

So where does this discussion lead to? Does it help in clarifying what are the unanimously agreed priorities of modern tax administrations? Perhaps not. Far from that, it may raise more questions than provide answers. Tax administrations apply and manage tax systems as approved and dictated by parliaments. As if life was not complicated enough, parliaments themselves legislate frequent changes of policy and direction. That certainly does not help in any way. On the contrary, it hinders and is even counter productive when some plans are shot down and replaced with others even before earlier plans and strategies have been implemented. This is unfortunately more in evidence in developing countries especially with change in governments. This is normally done supposedly with a view to debugging the tax system of inconsistencies, anomalies and inefficiencies. Unfortunately, sometimes the net result is infecting the system with new bugs that breed in the cooking pot of the pre-electoral campaigns and promises.

Given these developments, one of the vital functions of modern tax administrations is probably coordination and control of this very broad range of functions. The job may be de-professionalising in some ways in that it takes focus away from the audits, investigation and collection skills that are the fundamental tools of career tax officials. That said, there are two distinctly different evaluation criteria that are used by taxpayers on the one hand and political masters on the other, to assess the success or otherwise of a tax administration. Taxpayers will look at the efficiency, impartiality, integrity and facilitation roles of tax administrations as key elements in opinion formation. Political masters may give varying degrees of consideration to public perceptions of tax administration and even take credit for taxpayer friendly dealings, but unless annual revenue generation targets set by them are met by a tax administration, excellence in other aspects of tax administration may not be enough to ensure continuity in personal in top tax administration jobs. That unfortunately is the harsh reality in present times.

CATA News

AMP/CTIC Courses for 2006

Mr Sean Rabbett, Course Co-ordinator for **AMP** and **CTIC** training programmes sponsored by CATA and administered by Her Majesty's Revenue & Customs service (HMRC) of the United Kingdom has confirmed the dates for the two courses as follows:.

Advancing Management Potential (AMP) 2006

This course will commence on Monday, 31 July 2006 and end on Friday, 15 September 2006. The course will be held in Lincoln and London.

Commonwealth Tax Inspectors Course (CTIC) 2006

This course will also commence on Monday, 31 July 2006 and end on Friday, 15 September 2006. The venues for this course will be Lincoln, Nottingham and London.

Further information about both courses can be obtained from:
Mr Sean Rabbett
HM Revenue and Customs
International Relations
Central Policy
100 Parliament Street
LONDON SW1A 2BQ

Tel No: 0044 (0) 20 7147 2720
Fax No: 0044 (0) 20 7147 2648
E-mail: Sean.Rabbett@hmrc.gsi.gov.uk

Taxation of International Transactions (TOIT) 2006

The Workshop on Taxation of International Transactions sponsored by CATA for senior and middle level tax officials will be held from **7 to 25 August 2006.** CATA's annual circular giving details of the Workshop arrangements will be circulated to all members in early January 2006 and will also be available on CATA's website at www.cata-tax.org

Appointments

Australia

Mr Michael D'Ascenzo has been appointed as the next Australian Commissioner of Taxation with effect from 1 January 2006. Mr. D'Ascenzo will replace Mr Michael Carmody who is moving on to take up the position of Chief Executive Officer of the Australian Customs Service after a long and distinguished career with the Tax Office, including almost 13 years as Commissioner.

Botswana

Mr Freddy Modise has, with effect from the 26th September 2005 assumed duty as Commissioner General of the Botswana Unified Revenue Service.

Malaysia

Madam Asriah Shaari has been appointed as the new Director of the Department of International Tax in place of Dato Mohd. Zaid Ismail. Madam Shaari held the position of Deputy Director of the Department of International in July 2002. In 2003, she was also appointed as the Course Director of the CATA Workshop on Taxation of International Transactions, which is held annually at the Malaysia Tax Academy of the Inland Revenue Board, Malaysia,.

Retirements

Malaysia

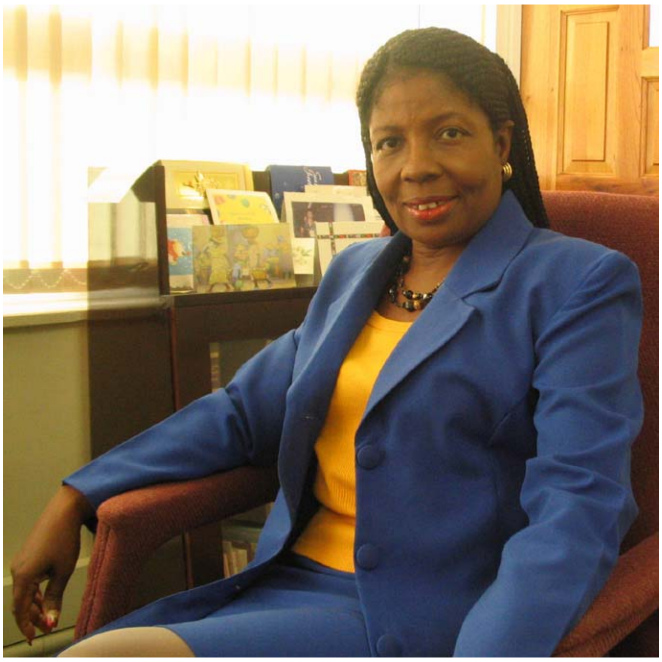
Dato' Mohd. Zaid Ismail, Director of the Department of International Tax, Inland Revenue Board of Malaysia has retired on 18 October 2005 after a dedicated service of about 31 years.

Data Mohd. Zaid had a very long association with CATA. He served on the Management Committee of CATA for several years and was head of the Organising Committee that was credited with the excellent arrangements and wonderful hospitality during the CATA Conference hosted by Malaysia in 2003. CATA Secretariat would like to record its deepest appreciation for the services rendered by Dato Zaid to CATA and on behalf of all members, wish him the best of health and happiness for the future.

TALKING TO MEMBERS

Ten minutes with Mrs. Sabina Walcott-Denny

Commissioner of Inland Revenue



Career Synopsis

Mrs. Sabina Walcott-Denny is a career Civil Servant with more than thirty years experience. She was appointed Commissioner of Inland Revenue from September 1996, having acted in that post from June 1995.

Mrs. Walcott-Denny has wide and varied experience in the areas of Management, Taxation, Accounting and Auditing within the Public Service of Barbados. She has held senior positions as Chief Accountant, Ministry of Finance, Finance Officer, National Insurance Office, and was Deputy Commissioner, Inland Revenue Department.

A qualified Accountant, Sabina is a Fellow of the Certified General Accountants Association of Canada and a Fellow of the Institute of Chartered Accountants of Barbados. She is also the holder of a Masters Degree in Business Administration from Heriott-Watt University, Scotland. Presently she is pursuing a Law Degree with Holborn University.

As Commissioner, Sabina heads the Department of Inland Revenue and is responsible for the overall administration and execution of the department's policies and programmes.

Sabina was at the forefront of a program undertaken by the Government of Barbados with assistance from I.A.D.B. to strengthen and modernise the department in the late 1990s.

Sabina is a strong believer in persons/communities "building together" and sees the importance of taxation in this light. It means citizens pooling resources for their collective and individual benefit. Mrs Walcott-Denny is delighted to assist her country in this capacity. She said "it is indeed a great honour and privilege, we must serve our countries with energy and eagerness."

Organisational facts:

Size of revenue authority (no. of employees): 170

Types of taxes administered

- Income tax
- Corporation tax
- PAYE withholding/instalments
- Pension/Superannuation
- Bank Assets
- Insurance Premium tax

Total value of taxes collected last fiscal year: $618.87m

Percentage of total government revenue collected: 33%

Operating budget: $8.0m

Types of benefits paid: Reverse Tax Credit

Three Key Challenges facing the Revenue Authority:

- The continued strengthening of our human resource to ensure that the Department maintains a well trained and qualified workforce in the light of strong competition for such resource.
- Maximising revenue collection from a shrinking tax base following gradual increases in the tax threshold for individuals and a simultaneous reduction in the rate of tax for both individuals and corporations. Over a five year period that commenced 2003 Corporation tax would decline from a high of 40% to a low 25% by 2007.
- The challenge of securing adequate resources that would enable the Department to achieve its goal of providing quality service through the use of the latest technology.

Favourite Pastimes

Dancing, gardening and playing with grandchildren Ashlee and Justin.

Other News

Greater support needed for developing countries to attain MDGs

Commonwealth Finance Ministers meeting in Barbados have called for support for developing countries to build and implement national development strategies that are in line with, and bold enough to, achieve the Millennium Development Goals (MDGs) by 2015.

In a Communiqué released on 20 September 2005, the Ministers said the development plans should scale up public investments, build capacity, mobilise domestic resources and official development assistance, and provide a framework for strengthening governance, promoting human rights and gender equality, engaging civil society, and promoting the private sector.

The Finance Ministers expressed serious concern at the lack of progress in the Doha Round and stressed the need for high-level political impetus to achieve a major breakthrough at the Hong Kong World Trade Organisation Ministerial Conference in December 2005. They said the meeting would need to reach agreement on negotiating modalities for agricultural and manufactured products, and to make concrete progress on negotiations on services, rules, trade facilitation and on the development dimension of the Round. The Ministers recognised the need for further efforts to strengthen the capacity to trade of developing countries to enable them to take advantage of the opportunities offered by a successful Round.

The Ministers welcomed pledges by developed countries for increased volumes of aid and stressed on the need for these to be translated into sustained and predictable commitments and disbursements. They also urged developed countries to continue to take concrete steps towards reaching the internationally agreed goal of 0.7 per cent of gross national income in official development assistance. They pointed out the importance in the swift implementation by all countries of the pledges in the G8 Africa Action Plan, including a doubling of aid to Africa, while recipient countries must act to intensify reforms and domestic policies to strengthen growth and achieve the MDGs.

The Finance Ministers welcomed the conclusions of the 8th HIPC Ministerial Forum and stressed the need for the Commonwealth to exercise maximum leverage to achieve closure at the Washington Meetings, on implementing the G8 proposals for cancellation of the International Monetary Fund, International Development Association and African Development Fund debt. They called for full and immediate action to implement these proposals while protecting the financial integrity of the multilateral institutions and without diverting aid flows from elsewhere. They urged the international community to give urgent attention to relieving the debt burden of other poor countries excluded from the Heavily Indebted Poor Countries (HIPC) process, as well as small and vulnerable countries facing growing debt burdens.

For the full Communiqué, visit www.thecommonwealth.org

CFTC commended for contribution to development

Commonwealth Finance Ministers have expressed their appreciation for the Commonwealth Fund for Technical Co-operation (CFTC) programme of assistance in areas of debt management, trade development and investment promotion, as well as in governance, public sector development, gender equality and human development, and in addressing anti-money laundering issues.

In their Communiqué released on 20 September 2005 in Barbados following the Commonwealth Finance Ministers Meeting, they expressed concern at the progressive decline in the real resources of the CFTC over the years and noted that this was affecting its ability to assist member countries, especially small states and least developed countries, to attain the Millennium Development Goals by supporting pro-poor policies for economic growth and sustainable development.

There was wide support for Commonwealth Secretary-General Don McKinnon's call on all member governments to increase contributions to the CFTC by 6 per cent per annum in real terms for each of the next five years.

In his address to the Finance Ministers on 19 September 2005, the Secretary-General said: "What is required over the next few years is not an incremental but a sizeable increase in contributions to the CFTC to ensure that the Fund remains viable, credible, and effective in tackling developing country needs in the Commonwealth."

Mr McKinnon said he was encouraged that some member countries have already pledged considerable increases above the targeted rise of 6 per cent each year in their contributions to CFTC.

CFTC in danger says Secretary-General

Commonwealth Secretary-General Don McKinnon is concerned that, without greater financial commitment from governments, the Commonwealth Fund for Technical Co-operation (CFTC) will soon reach a level where it will be largely ineffectual and unsustainable.

CFTC expenditure plans have declined from their 1991-1992 level of £43 million (in today's terms) to just £24 million in 2005-2006.

In the foreword to his biennial report to Commonwealth Heads of Government, Mr McKinnon says that, over the past two years, the Commonwealth Secretariat has continued through the CFTC to provide solutions tailor-made to the problems of member countries. However, this unique instrument, which delivers tangible progress and is in ever higher demand, has lost 40 per cent of its value in real terms over the past decade.

"We are constantly expected to do more with less. Without stronger financial commitment from governments, I am concerned that the CFTC will soon reach a level which is largely ineffectual and unsustainable. But whatever the CFTC can achieve, economic progress will be slow until developing countries have a real chance to trade their way out of poverty."

The Secretary-General's statement comes on the heels of comments made by Commonwealth Finance Ministers during their annual meeting held in Barbados in September 2005. In a joint Communiqué the ministers expressed concern at the progressive decline in the real resources of the CFTC, and noted that this was affecting its ability to assist member countries, especially small states and least developed countries, in attaining the Millennium Development Goals by supporting pro-poor policies for economic growth and sustainable development.

Over the years the CFTC programme has provided assistance to Commonwealth countries in such areas as debt management, trade development and investment promotion, good governance, public sector development, gender equality, human development and anti-money laundering.

At the Commonwealth Finance Ministers Meeting, member governments expressed their appreciation for the CFTC's programme of assistance, and there was wide support for the call by the Secretary-General for all member governments to increase contributions to the CFTC by 6 per cent per annum in real terms. To date, 26 countries have indicated their pledges for 2005/06 and already 10 countries have increased their pledge by 6 per cent or more in real terms. Those governments that have not yet made known their contributions to the CFTC are expected to do so by 31 December 2005.

International community should assist Africa and small states

Two important Commonwealth constituencies — Africa and small states — continue to be marginalised, said Commonwealth Secretary-General Don McKinnon, and their share of global trade and investment has declined in recent years at a time when effort is directed at achieving the opposite. He was speaking at the opening of the Commonwealth Finance Ministers Meeting in Barbados on 18 September 2005 with the theme 'Giving Practical Effect to the Millennium Review'.

The Secretary-General stated that he is encouraged by the commitments made at the G8 Summit in Gleneagles, Scotland, with promises to fulfil more than 50 of the 90 demands made by the Commission for Africa.

"If these commitments are translated into action, the term 'development dividend' will have genuine meaning: 13,000 people who would have died every day will live, and 600,000 African children who would have died from malaria will live. The provision of antiretroviral drugs to virtually everyone in Africa who needs them within five years will save more than six million lives," said Mr McKinnon.

Pledges, he emphasised, must be translated into action, including debt relief and fairer trade, which is the most potent means of combating global poverty.

"The longer the multilateral system fails to deliver the potential of integration into global markets, the longer poverty will persist. The missing ingredient right now in the World Trade Organisation (WTO) is genuine political commitment in order to drive the negotiators forward with a clear sense of direction."

The Secretary-General said Commonwealth leaders should be working towards a powerful statement at the Commonwealth Heads of Government Meeting in Malta in November 2005, which will take place just before the WTO Ministerial Conference in Hong Kong in December.

While some Commonwealth countries are improving their economic governance and stabilising their economies, Mr McKinnon noted that new factors have emerged which have increased their vulnerabilities, particularly the small states. This includes the loss of trade preferences; rapidly growing debt burden, including domestic debt; increased environmental risks; rising concerns about youth unemployment and crime; and the impact of the HIV/AIDS pandemic. The Secretary-General urged the international community to take stronger and more effective action to assist small states in addressing these problems.

Focused and co-ordinated approach to enhance ICT for development

While the Commonwealth has made efforts to promote the use of information and communication technology (ICT) in advancing education and human resource development, strengthening democratic values and advocating effective and transparent public administration and good governance, a lot remains to be done.

Commonwealth Deputy Secretary-General Winston Cox told ICT ministers attending the Second High-Level Forum on the Commonwealth Action Programme for the Digital Divide (CAPDD) in Yaoundé, Cameroon, on 5 September 2005, that the lack of focus and lack of a co-ordinated approach, strategic leadership and resources, have impacted on the level of progress achieved in capitalising on ICT for development. He noted that the majority of Commonwealth developing countries are affected by inadequate ICT policy frameworks, limited infrastructure, access and capacity that handicap their ability to fully benefit from advances in ICTs.

Mr Cox said a Co-ordinating Committee on CAPDD that has been set up, will help address weaknesses and ensure that the benefits of synergy are realised, including fostering greater co-operation in ICT technology. The Co-ordinating Committee has identified areas for action, such as building policy and regulatory capacity; modernising education and skills development; entrepreneurship for poverty reduction; promoting local access and connectivity; and regional networking. It recommended the provision of seed funding to be supplemented by the creation of a voluntary Special Fund to drive the CAPDD programme to promote ICT for development.

The Deputy Secretary-General said a co-ordinated and partnership approach can lead to the desired development impact through the use of ICTs. He stated that ICTs can be applied to information strategies that support the achievements of the Millennium Development Goals of socio-economic progress.

"The Commonwealth should play a key role in building on and complementing the global efforts to take advantage of ICTs as a tool for development. We all recognise that the digital revolution has the potential to provide benefits to humanity, but if we do not bridge the digital divide, it will exacerbate the existing social and economic inequalities between the developing and developed countries," said Mr Cox.

He said the Commonwealth has recognised that an even spread of ICT usage in member countries offers the potential for strengthening institutions and democratic values that promote sustainable development. Mr Cox said the Commonwealth Secretariat has taken initiatives to build capacity to use ICTs in small and medium enterprises and in public sector development, including e-governance. The Secretariat has also provided debt management software to member states and developed model laws on the regulation and use of ICT.

The Deputy Secretary-General acknowledged the contributions of the Commonwealth Telecommunications Organisation, the Commonwealth of Learning, the Commonwealth Business Council and the Commonwealth Network of Information Technology for Development in capacity-building, knowledge sharing and building public-private partnerships.

Secretary-General calls for assistance to Pakistan following earthquake

Commonwealth Secretary-General Don McKinnon has called for assistance following the major earthquake which hit parts of northern Pakistan and neighbouring countries on 8 October 2005. The earthquake measured 7.6 on the Richter scale, and is believed to be the strongest to have hit Pakistan in a century.

In a statement released on 9 October, the Secretary-General said: "I am deeply shocked and saddened by the devastation caused by the earthquake. It has claimed many thousands of lives in Pakistan, with many thousands more injured. There have also been casualties in India and Afghanistan. The damage to property and infrastructure has been enormous."

Mr McKinnon noted that disaster relief funds had been established and he appealed to all to contribute swiftly and generously. "This is a time when we should pull together and help," stated the Secretary-General.

"My heart goes out to all those bereaved or otherwise affected by this calamity. The Commonwealth's sympathy and solidarity are with the government and people of Pakistan, in particular, at this difficult time. I am sure Commonwealth countries will do everything they possibly can to help Pakistan recover from this tragedy. We in the Commonwealth Secretariat will also assist in every possible way."

Nations that can, should do more to achieve development goals

The limited success in achieving the Millennium Development Goals (MDGs) five years after the Millennium Declaration by world leaders in 2000, should shock into action nations that can do more to bring about greater progress, said Commonwealth Secretary-General Don McKinnon to the High-Level Plenary Meeting of the 60th United Nations General Assembly in New York on 16 September 2005.

In a speech delivered on his behalf by Commonwealth Deputy Secretary-General Florence Mugasha, the Secretary-General stated: "Those with the means must be more committed and more generous to those in the statistical spotlight."

He applauded the initiatives of G8 states who had pledged increased aid and debt cancellation for low-income countries during their summit meeting in Gleneagles, Scotland, in July this year.

"That is the sort of concrete action required. It was of a level of ambition and scale that needs to be repeated again and again until the MDGs are securely and sustainably achieved. We need to go beyond the target of halving income poverty and reach the Goal — the total eradication of extreme poverty and hunger — and to ensure that the funds made available are spent with wisdom, responsibility, accountability and effectiveness."

Mr McKinnon said the Commonwealth not only has an interest in achieving the MDGs, but also a responsibility to do so. He noted with concern that only 11 of the Commonwealth's 53 member countries have recorded significant progress on the MDGs, with 31 countries making slow progress, while some are going backwards. The Secretary-General stressed that the Commonwealth will have to redouble its efforts to achieve the MDGs.

"We will help to build or rebuild those democratic institutions which we know go hand-in-hand with stable and prosperous societies. We will continue to champion the principles and values our membership holds dear, including fundamental human rights. We will also continue to stand up for small states which too often find themselves at the margins of global debate and on the receiving rather than participating end of decisions. We will continue to work relentlessly to see countries get a better deal in international trade, so that people everywhere can invest with confidence, produce with enthusiasm, and sell freely in a fair market."

The Secretary-General emphasised that the Commonwealth will strengthen its focus on gender issues and their impact on the execution of public policy which contributes to the promotion of fair and sustainable development. He said efforts will be made to work more closely with civil society and governments to attain the Goals. Mr McKinnon pointed out that multilateralism is the only way in which common problems can be resolved in a substantive way to secure a future for all. He backed the UN's plan to strengthen its work in peace-building, human rights, anti-terrorism, and the special attention being paid to development and democracy.

"The UN has been and will remain a vital partner for the Commonwealth in furthering our objectives in democratisation, peace, human rights and development," said the Secretary-General.

Debt relief, aid and trade should be complementary for effective assistance to developing countries

The impact of official development assistance (ODA) for poverty reduction in developing countries is often limited by donor countries' trade and investment policies, according to a Civil Society Statement on Delivering the MDGs that was presented to Commonwealth Finance Ministers at their meeting in Barbados on 19 September 2005, for their consideration.

The statement, prepared by more than 50 civil society representatives from the Commonwealth, said: "The lack of an equitable global trading and financial system continues to hamper progress on the Millennium Development Goals (MDGs). Debt relief and cancellation are inadequate on their own and need to be accompanied by corresponding measures to address trade imbalances; if developing countries do not benefit equitably from trade regimes and protocols, and if these do not have development and poverty reduction at their centre, achieving the MDGs may remain a challenge. Current proposals for debt cancellation need to go deeper and wider to include all countries with unsustainable levels of debt in need of relief."

Commonwealth civil society representatives have recommended in their statement that debt relief should be in addition to rather than a substitution for other forms of aid. It noted that "the MDGs should sit at the heart of the entire aid and development system, which itself should be situated within the framework of a rights-based approach to development."

Many Commonwealth countries, it was noted, face policy formulation and implementation challenges to their efforts to achieve the MDGs, and many of these countries need development partners to improve, harmonise and align their support behind national strategies and to do so with substantial increases in ODA.

Commonwealth developing countries can harness their potential to attract foreign investment

The United Kingdom has emerged as the top Commonwealth country in attracting foreign direct investment (FDI). It also performed ahead of other countries in the European Union. The latest statistics in the 'World Investment Report 2005' published by the United Nations Conference on Trade and Development (UNCTAD) listed the UK as the second largest recipient of FDI in 2004 at $78 billion. The United States led the way with $96 billion in FDI inflows, with China in third place at $60 billion. Other Commonwealth countries included Australia in fifth position, attracting $43 billion in FDI; Singapore in 13th position with more than $15 billion in investments; and Canada at close to $10 billion.

The World Investment Report launched in Geneva on 29 September 2005 noted that the increase in FDI to the UK was brought about by the rise in large company mergers and acquisitions.

The UK also ranked second in FDI outflows with about $65 billion in 2004, and the US was once again in the lead with an estimated $230 billion. Luxembourg was the third largest source of foreign investment outflows. Other Commonwealth countries which have emerged as important sources of FDI were Canada, in sixth place with some $50 billion in FDI outflows; Australia in 12th position with more than $15 billion being invested outside the country; and Singapore in 14th position with a little over $10 billion.

Africa, which was a focus of the G8 Summit at Gleneagles, UK, in July 2005, did not attract an increase in capital inflows between 2003 and 2004. Its FDI remained stagnant at $18 billion. Nigeria was among the top five recipients of FDI inflows in Africa, which received most of the continent's investment from Europe, as well as from the US and South Africa.

Commonwealth Secretary-General Don McKinnon said developing countries should capitalise on their natural and human resources to meet the growing demands of developed and developing economies. He said the availability of land and labour, coupled with a favourable environment for business, are pull factors for FDI, which can help alleviate poverty.

"FDI that promotes trade and economic growth is essential for a country's socio-economic development, therefore attracting and retaining FDI is crucial, particularly in asset investment. Building up strong FDI inflows is more effective in fuelling growth than for countries to rely on aid and debt relief, which is not sustainable in the long term. But a legal framework, good governance and an investment-friendly climate need to be in place," Mr McKinnon stressed.

The Commonwealth Secretariat has been working to improve the investment capacity and performance of its members through the Commonwealth Private Investment Initiative (CPII), which has mobilised more than $400 million in long-term investment in pre-emerging markets through regional venture capital-type funds in Africa, South Asia, the Pacific and the Caribbean.

Dr Indrajit Coomaraswamy, Director of the Secretariat's Economic Affairs Division, said: "It is a matter of concern for us that the share of global investment of two important Commonwealth constituencies, Africa, and small states — which make up 32 out of the 53 countries in our association — have declined in recent years. These countries need to develop the capacity to produce internationally competitive goods and services in order to benefit from globalisation. They cannot do this without improving their investment performance."

CPII is a unique initiative promoting contrarian investments in high risk/high return projects acting to change conventional perceptions of risk in countries often not on the radar screens of private investors. In the process, it has shown the way, built the track record and provided confidence to private investors. Often such portfolio investments lead to FDI through demonstration effect.

Pacific Islands should capitalise on new Commonwealth Investment Fund

Papua New Guinea's Prime Minister Sir Michael Somare said the Pacific islands should seize the opportunity to maximise the benefits offered by the

Commonwealth's new investment fund for small and medium enterprises in the region. He was speaking at the launch of the US$20 million Kula II Fund at the Pacific Islands Forum in Port Moresby on 27 October 2005.

Sir Michael, who is the new chair of the Pacific Islands Forum, said the Kula II Fund is aimed at investments in the agriculture, fisheries, transportation, mining and services industries, as well as other commercial sectors in the more remote territories of the Pacific islands. "Kula II will target a lower investment size with the view to injecting capital into smaller Pacific island countries, and we must take advantage of this and encourage our respective private sectors to explore and actively pursue prospects for further investments and trade opportunities."

The Prime Minister said the physical geography of the Pacific region, which faces challenges in communications and transport, has been the biggest constraint to foreign investment. But technical assistance provided by donor agencies, has helped countries such as Papua New Guinea to overcome these problems. Sir Michael acknowledged the Commonwealth Secretariat's technical assistance in the feasibility study for the US$17 million Kula I Fund launched in 1997, and Kula II this year that was undertaken by Aureos Capital Partners with financial assistance from New Zealand's International Aid and Development Agency, NZAid and AusAID, the Australian Government agency responsible for managing the Government's official overseas aid program. He noted that the positive response to Kula I and II from both Commonwealth and non-Commonwealth investors augurs well for commercial activities in the Pacific islands.

Kula I shareholders such as the Asian Development Bank, the European Investment Bank, CDC Group and local pension funds from Fiji Islands and Papua New Guinea have committed funds for investment in Kula II.

Commonwealth Secretary-General Don McKinnon said the Kula II Fund is complementary to the Pacific Plan, which is aimed at strengthening regional co-operation and integration to promote peace, prosperity and progress. He stressed the importance of deepening partnerships in the region through technical assistance to help fulfil the aspirations of the Pacific islanders. "We can see real benefits coming through to the peoples of the Pacific through co-operation. We want to see more economic growth, sustainable development, good governance and greater security in the region," said the Secretary-General. "The development needs of small island states know no boundaries, even if countries have good governing mechanisms, receive aid and have economic prospects, the need for investment is still important. Investment reflects confidence and creates success. Nothing succeeds like success."

New publication: 'Commonwealth Finance Ministers Reference Report 2005'

Initiatives in trade, investment, debt and public sector development will help to build the institutions and necessary skills in the Commonwealth to take advantage of opportunities, while minimising the risks presented by globalisation, says Prime Minister Owen Arthur of Barbados.

In a foreword to the newly published 'Commonwealth Finance Ministers Reference Report 2005' by the Commonwealth Secretariat, Mr Arthur notes that the Commonwealth Fund for Technical Co-operation is vital in helping member countries to develop.

"It is, in my view, the most flexible and effective international mechanism for the delivery of North-South and South-South co-operation, and is unique in the way it provides for the sharing of expertise, experiences and best practices in an atmosphere of mutual respect. It is an instrument which does great credit to the Commonwealth, and which should be far more generously funded," writes Mr Arthur.

He says the development challenges facing Commonwealth nations at the beginning of the 21st century are huge and that collective action is crucial to attain the Millennium Development Goals (MDGs). The Prime Minister notes that terrorism poses a threat to the stability of the global society and economy, and calls for global partnership for development that is "premised on an open, rules-based, predictable, non-discriminatory trading and financial system."

Sections in this publication cover the MDGs, financing for development, banking and financial services, public and private investment initiatives, and trade and development.

This news section is delivered courtesy of the Communications and Public Affairs Division of the Commonwealth Secretariat, London, and may not necessarily reflect the views of the Commonwealth Secretariat.

Further information about the Commonwealth or the Commonwealth Secretariat, can be obtained from the website www.thecommonwealth.org.

News from Members

AUSTRALIA

Country Correspondent: Pam Mitchell

Compliance Program

The Australian Tax Office has a strong commitment to public accountability and transparency in decision making. This is seen as a key element in ensuring the integrity of Australia's revenue system through effective compliance management.

One of the ways in which we demonstrate this commitment is to publish our annual *Compliance Program*, which details the compliance risks as we see them and what we are doing to address them. We also use the *Compliance Program* as a vehicle to report back to the community on the outcomes of our previous year's compliance activities. By doing these things, we send a clear message to the community on how to avoid the risks associated with non-compliance.

This year's *Compliance Program* is the fourth edition of this flagship publication. It describes compliance issues as they affect six market segments:

- Individuals;
- Micro businesses
- Small to medium enterprises;
- Large Business;
- Non-profit organisations;
- Government organisations.

The *2005-06 Compliance Program* outlines new directions in the Individuals and Large Business market segments which offer greater certainty for those who adopt low-risk practices in meeting their responsibilities.It also highlights key areas of focus across the market segments, including international tax issues, aggressive tax planning and evasion and fraud.

In addition, the *Compliance Program* includes a chapter devoted to the important role played in the management of our revenue system by tax agents and other intermediaries such as book keepers, software developers and legal practitioners. Priorities in this area this year include promoting the use of electronic interactions such as lodging activity statements and accessing reports on-line, and increasing the use of convenient information sources such as *eLink* and tax agent broadcasts. *eLink* is an email bulletin that alerts tax practitioners and other users to the most recent updates to the Tax Office website. The tax agent broadcasts are bulletins that disseminate urgent information to tax practitioners using the latest developments in email, facsimile and postal broadcast technologies to route information to target recipients by the most cost effective method.

The *Compliance Program*, in conjunction with other key Tax Office publications, demonstrates how we differentiate our responses to compliance risks – making it easier for those trying to do the right thing and tougher for those setting out to avoid their responsibilities. Through this approach, we seek to demonstrate that the revenue system is being managed in an open and accountable way, and that help, education and enforcement are balanced in a way that is acceptable to the community and sustainable in the long term.

The *2005-06 Compliance Program* can be accessed through the Tax Office website at http://www.ato.gov.au

The Role of Research in the Australian Taxation Office

The Australian Taxation Office (Tax Office) conducts a wide variety of research projects, designed to improve the Tax Office's compliance management strategies and processes, improve the integrity of the tax system, and contribute to the field of tax administration.

This research falls in three main types; corporate, marketing and business process, and user research. Corporate research includes the flagship products that are designed to monitor taxpayer perceptions of the Tax Office. Marketing and business process research is a broad category of research, incorporating research to support Tax Office service delivery and business processes. User research is conducted to inform and evaluate products and systems from a design and usability perspective.

The three flagship surveys with stakeholders falling under corporate research are designed to assess perceptions and attitudes towards our administration of the tax system. These surveys are the Business Perceptions Survey, conducted quarterly, the

Community Perceptions Survey, conducted annually and the Professionalism Survey, conducted biannually. Whilst the first two surveys target the general business and community populations and focus predominately on broad attitudes towards the Tax Office and its administration of the tax system, the Professionalism Survey targets individual and business taxpayers and tax practitioners who have had a recent interaction with the Tax Office and focuses on specific aspects of service delivery.

The information from these three flagship surveys are collectively used to help the Tax Office meet its overall strategic aim: "To optimise collections and make payments under the law in a way that instils community confidence that the system is operating effectively".

The Business Perceptions Survey (BPS)

The BPS evolved from the Business Activity Statement (GST return) Surveys conducted from 2000 to 2003 which were designed to measure the impact on business of the New Tax System (NTS). As the Business Activity Statement Survey progressed, and particularly evident from 2002 onwards, the key indicators started to become stable and indicated that the Business Activity Statement preparation and lodgement process had bedded down well among the majority of business operators. From this finding, there came the opportunity to refocus the business research more broadly to better meet evolving corporate needs, hence the development of the BPS.

The overall objective of the BPS is to provide the Tax Office with high quality information on business perceptions and attitudes towards the Tax Office and our administration of the Tax System. More specifically, the survey covers business perceptions and attitudes towards the quality of our information, staff, services and performance overall; Cash Economy; consideration of businesses and compliance effort; image issues; integrity issues and taxpayers' rights; record keeping and electronic up-take; and the use of intermediaries.

The Community Perceptions Survey (CPS)

The CPS is similar to the BPS but is targeted at the general community. Like the BPS, it is also a high-level measure of the community's perceptions and attitudes towards the Tax Office and our administration of the tax system. More specifically, the survey covers community perceptions and attitudes towards the quality of our information, staff, services and performance overall; attitudes to compliance and enforcement activities; compliance effort; taxpayers' rights; attitudes towards the Cash Economy and serious non-compliance; taxpayer knowledge of taxation matters; and superannuation.

The ATO Professionalism Survey

The ATO Professionalism Survey is targeted at individual and business taxpayers and tax practitioners who have had an interaction with the Tax Office in the six months prior to each survey wave. The Survey is currently structured by Business Area and covers interactions types such as audits, reviews, field-visits, and phone-calls, to name a few.

There are nine main measures of staff professionalism that are monitored by the Professionalism Survey. These nine measures are aligned to a 'model' of ATO Professionalism that was developed in 2000 and revised in 2003. The Professionalism Model and measures are detailed below:

Professionalism model element	Characteristic of professionalism	Question from the survey
Empathy	Respect for our clients	Staff were respectful and courteous towards you
	Explain and respect clients' rights	Staff were willing to explain your rights, obligations and entitlements
Fair and just outcomes	Procedural justice	ATO staff assisted you to the best of their ability and within the law as you understand it
	Distributive justice	The result was fair and reasonable
Communication	Our communication	Staff communicated clearly in ways you could understand
Accountability	Accountable for our actions	Staff were willing to ensure that the matter was followed through to a conclusion
	Understand our clients needs	Understood your needs and assisted you in meeting them
Behaviour	Our behaviours	Staff are fair, reasonable and unbiased
Ability	Our ability	Staff had sufficient understanding of the issue being discussed to be able to help you

The First Release of the Tax office's Easier, Cheaper, More Personalised Program

The first major release of the Tax Office's Easier, cheaper, more personalised program rolled out on 19 September with the introduction of the Client Relationship Management (CRM) system.

The CRM system is a new software solution for client contact staff that provides a more complete view of a client's accounts, issues and interactions within the Tax Office. This integrated view of a client provides staff with a more holistic and informed view of the client and their specific situation, resulting in a more personalised and positive experience for them. All Tax Office staff will be able to access the same benefits of CRM following later releases of the program.

The combination of this new technology and complementing business processes has been the first key step towards a more client focussed system across the Tax Office. Further releases of the Easier, cheaper more personalised program are scheduled over the next three years until completion in 2008.

The Tax Office planned from early stages of the program to gradually implement the rollout of CRM in staggered phases to specific call centre sites over a period of four months. This proved to a valuable decision in that not all problems could be identified during testing prior to the rollout. The integration of CRM with existing systems, the transfer of data to the new systems and all supporting mechanisms meant that the process was a complex one. By piloting the system in 'live' conditions a number of problems and issues were rectified as they occurred, with minimal disruption to staff.

A significant factor contributing to the success of the CRM rollout was the engaging of staff early in the design of the system itself and new business processes. Client service representatives and other call centre staff were actively involved from early discussions through to the testing of new CRM screens. Their early involvement in the design has ensured a high level of functionality and useability of the system which will eventually be used across the whole Tax Office.

Maintaining flexibility in regard to training strategies was another valuable experience gained during the rollout process. A change to the existing strategy included the introduction of the practice of call centre staff simulating calls immediately after they were trained. This meant that when newly trained client service representatives took a call using the old systems they would 'mirror' their actions in the new CRM system. This enabled them to use CRM within the context of a real client situation but without the pressure of having a caller on the line. Changes to the implementation strategy also allowed for newly trained staff to start using CRM immediately after they were trained.

The communication strategy for the CRM rollout also proved to be very effective. This involved following four phases of 'creating awareness', 'understanding the impact', 'training and go live' and 'embedding the change' into call centre operations. This carefully planned communication approach incorporated a high visibility and accessibility of the executive level staff across the organisation where staff were encouraged to provide input and feedback. As Executive staff carried with them a strong message of product support and sponsorship, this inspired staff confidence in the new product who welcomed the changes.

Face to face communication was then supported by a variety of other tools and mediums such as interactive pre-training modules, interactive videos that staff could view at their computer and regular team leader briefings where information was cascaded to staff.

The experiences from the first release of the program has provided some valuable insights for the Tax Office, equipping them for future change management as they head towards Release 2 in 2006.

BOTSWANA

Country Correspondent: Mr T P Bakwena

Comprehensive review of the Income Tax Act of 1995

In his Budget Speech of the 7th February 2005 for the fiscal year 2005/2006 the Honourable Minister of Finance and Development Planning, Mr Baledzi Gaolathe announced that no new amendments would be tabled in that session of Parliament. Instead he intimated that "*Government had decided to undertake a comprehensive review of the Income Tax Act, No 12 of 1995 … to consolidate all previous minor amendments to the income tax law lest they create uncertainties and inconsistencies*".

This review has now gathered momentum and is indeed proving to be a major task. Opinions and proposals have been solicited from various stakeholders and many have been received as a result. The process of consolidation of the proposals has also started under the leadership of the Ministry of Finance and Development Planning. As the Minister has indicated it is expected that a consolidated bill would be presented to Parliament in 2006.

Appointment of the Commissioner General of the Botswana Unified Revenue Service (BURS)

Mr Freddy Modise has, with effect from the 26th September 2005 assumed duty as Commissioner General of the BURS. Freddy or 'FM' as he is affectionately known brings with him a wealth of experience particularly in the areas of taxation and financial sector regulation. With a career spanning 38 years, Freddy cut his teeth with the Central Statistics Office in 1967 and served that Department for 21 years. He then proceeded to the Department of Customs and Excise in 1988 where he was appointed Director of that Department, a position in which he served for 3 years between 1988 and 1990. Freddy was appointed Deputy Secretary for Financial Affairs in 1990 and then Secretary for Financial Affairs in 1992 where he served until his appointment to BURS. As Secretary for Financial Affairs he was responsible for the formulation of taxation and financial sector policies. After such an illustrious service in the public sector the BURS welcomes his appointment and wish him the best in his new position.

Mr Modise's appointment completes the BURS executive. The executive of the BURS with respect to the Revenue Divisions is as follows:

Commissioner General: Mr. F Modise

Commissioner Internal Revenue Division: Mr. S Lekau

Deputy Commissioner Internal Revenue Division (Income Tax): Mrs. G Mbanga

Deputy Commissioner Internal Revenue Division (VAT): Mr. B Molapo

Commissioner Customs and Excise: Mr. K Morris

Deputy Commissioner Customs and Excise: Mr. B Mudongo

With the executive in place and the development of operational and financial structures of the BURS now at full speed these are exciting times in the development of the revenue administration in Botswana. It is anticipated that during the course of 2006 BURS will be in full swing in carrying out its mandate of an efficient revenue service.

International Relations

Three new Double Tax Avoidance Agreements (DTAAs) were negotiated during the course of the year while two came into effect during the same period. New DTAAs were negotiated with Tanzania, Zambia and Malawi while Agreements with Namibia and Seychelles came into effect in Botswana on 1st July 2005. The new DTAA with the United Kingdom was signed in Gaborone by the Honourable Minister of Finance and Development Planning, Mr B Gaolathe and His Excellency the British High Commissioner to Botswana, Mr D Merry last September and this will replace the current Agreement that has been in effect since 1978.

In August two officers of the BURS attended the 26th CATA Annual Technical Conference in Ottawa, Canada. From the reports we received from Ms Moakofhi (Principal Inspector – Audit and Investigations) and Mr Lekau (Commissioner Internal Revenue Division) on their return, it looked like Canada, in particular the Canadian Revenue Authority and the people of Ottawa, went a long way to ensure the event was a success. Botswana sends her loudest and sincerest **CONGRATULATIONS** to the Canadian Revenue Authority for having organized a very successful CATA Conference

Finally, the Commissioner General, on his own behalf and on behalf of the Botswana Unified Revenue Service, would like to take this opportunity to wish all CATA members and its Executive a happy Christmas and prosperous and fulfilling 2006.

FIJI ISLANDS

News Despatch by: Mr David Tansey

The 2006 Budget address was handed own on 4 November 2005 by the Honourable Minister for Finance and National Planning, Ratu Jone Kubuabola. The main changes are as follows.

Changes to tax/duty rates

1. Removal of Value Added Tax (VAT), currently charged at 12.5%, on 6 basic food items (edible oil, tinned fish, rice, flour and sharp, tea and powdered milk) and kerosene (effective 1 January 2006).
2. Introduction of a new duty, called import excise duty, from the date of Budget announcement, at the following rates:
   - tobacco and alcohol (10%)

- motor vehicles (10%)
- white goods (5%)
- goods which compete with those manufactured locally (5%)
- others (e.g. musical instruments, shoes, gaming machines (5%)

3. Introduction of import fiscal duty of 3% on precious jewellery.
4. Accommodation surcharge of 5% for hoteliers.

New tax incentives

1. Tax exemption for specific industries (e.g. farmers, tour operators, recreation and handicrafts) with a turnover less than $200,000, to assist small/medium enterprises.
2. Extension of accelerated depreciation to 2010 for expenditure on water storage facilities and renewable energy plant and machinery.
3. 200% tax deduction for capital expenditure in the agricultural and fisheries sector.

Enhanced tax administration

1. The Tax Identification Number (TIN) is to be legislated (currently just an administrative mechanism).
2. Bribes paid to officials are denied tax deductibility.
3. New reporting system for real estate agents, to report rental income received by landlords on whose behalf they act (gross and net). This coincides with the introduction of an act to license real estate agents.
4. The 15% contractors provisional tax to be brought into the Income Tax Act (currently it is in a Legal Notice) and simplified and clarified. It will apply to all contracts for labour not covered by the PAYE system and include an annual reporting system.

Enhanced tax/customs integration

1. Departure Prohibition Order (DPO) to be inserted in Customs Act in line with provisions in the existing tax laws.
2. Customs identifying number to be replaced by the Tax Identification Number (TIN).
3. Customs clearance to be disallowed if any tax liability exists.
4. Secrecy provision to be inserted into the Customs Act to ensure that customs officers having access to tax records will not release confidential information.

GUYANA

Country Correspondent: Ms B Hussein

Legislative Changes

The Guyana Revenue Authority is in the process of reforming its tax system with the planned introduction of the Value Added and Excise Tax Acts which were approved by the National Assembly on July 18th, 2005.š The date of implementation of these Acts will be determined at the discretion of the Minister of Finance who must table in the National Assembly an Order to bring the new legislation into effect. With the approval of these Acts, attention is currently focused on the preparation of the Regulations to the Acts.

Draft VAT regulations were prepared by a consultant, Ms. Carmen Barrow, and a series of consultations, aimed at giving members of the business community, non-governmental organisations and the Consumer's Association an opportunity to voice their concerns and make recommendations, were undertaken. The consultations began with a seminar on August 31, 2005 which was hosted by the Guyana Revenue Authority in collaboration with the Ministry of Finance. Presentations were made by the Minister of Finance, Mr Sasenarine Kowlessar, Commissioner-General of the Revenue Authority, Mr. Kurshid Sattaur and the VAT Consultant, Ms Carmen Barrow.

Major areas of concern to the business community were the date of implementation of VAT, the VAT rate and the threshold. These were addressed by the Commissioner-General of the Guyana Revenue Authority who assured participants that the Revenue Authority is working according to a structured implementation plan. At the conclusion of the consultations, the Excise tax Regulations and the VAT Tax Order which specifies a Vat rate of 16% and a threshold of $10M were referred to a Special Select Committee of the National Assembly which will receive and consider recommendations from members of the business community and other stakeholders.

Attendance at International Conferences/ Training Programmes

The Authority has continued in its efforts to maintain a skilled, knowledgeable and professional work force. To this end, several staff members have benefited from training seminars/workshops/conferences, some of which were funded either wholly or in part by international agencies such as the United Nations

Environmental Programme, United Nations Council for Trade and Development and Organisation of American States.

Mr. Robert James, Deputy Commissioner Audit and Verification attended CATA's 26th Annual Technical Conference which was held over the period August 29th to October 1st in Ottawa, Canada. The conference provided a forum for the exchange of ideas on policies and programmes which have been developed and implemented by various countries. It also allowed for the identification and detailed discussion of similarities and differences in each country's experience relating to tax avoidance, tax evasion and customer service.

The Government of Japan hosted a Customs Administration II training programme over the period August 23rd to October 1st. The programme, which was attended by Mr. Iqram Ali Assistant Commissioner, Customs and Trade Administration, was aimed at clarifying problems experienced by Customs Administrations and formulating proposals to solve such problems.š In addition, the KYOTO convention was revised and international standards such as the WTO Valuation Agreement was verified and measures to enable member countries to satisfy these standards were examined.

The United Nations Environmental Programme funded a four-day Green Customs Initiative which was held during the month of August in Trinidad and Tobago and was attended by Ms. Roslyn Corlette, Customs Officer and Mr. Anthony Johnson, Training Officer. The objective of the programme was to increase the awareness of the trade aspects and control requirements of the Multilateral Environmental Agreements and the role of Customs Departments in enforcing these agreements.

During the month of September, 'Integrity Awareness' was the theme of a four-day programme hosted by the Organisation of American States in Barbados. This programme was aimed at providing participants with the basic framework of integrity awareness and the principles of an anti-corruption plan and was attended by Ms. Elin Hinds-Johnson, Director, Customs and Trade Administration.

United Nations Council for Trade and Development was the funding agency for a two-day Round Table on WTO Trade Facilitation Negotiations during October which was attended by Ms. Elin Hinds-Johnson, Director, Customs and Trade Administration. The programme provided a forum for the exchange of views on GATT 1994 Articles V, VIII and X and the potential impact of proposals discussed at WTO Negotiating Group on Trade Facilitation.

KENYA

Country Correspondent: Ms Alice A Owuor

A. Revenue Performance

Kenya Revenue Authority (KRA) once again showed a remarkable growth in revenue, a trend that has been consistently maintained over the years. During the quarter ended September 2005, the cumulative revenue collection stood at Kshs. 69,675 million compared to the corresponding period last year which was at Kshs. 64,522 representing a growth of 8%.

Below is a table summarizing the performance of each department:

Department	Actual collection (Kshs. Million)	Treasury Target (Kshs. Million)	Performance (%)
Domestic Taxes	42,051	37,948	110.8%
Customs Services	26,878	31,357	85.7%
Road Transport	746	851	87.7%
Total	**69,675**	**70,155**	**99.3%**

This growth is as a result of the continued implementation of administrative measures including Tax Reforms to improve on compliance and enhance revenue.

B. KRA gears up for ISO Certification

The Authority is working closely with an International Quality Inspection Company to train and sensitize staff to achieve **ISO 9001:2000** Certification by July 2006.

The **KRA ISO 9001** Training and Certification Project has the following components:

- Gap Analysis
- Awareness Training
- Documentation
- Implementation
- Training of Internal Quality Auditors
- Process Monitoring
- Management Reviews
- Corrective and Preventive Action
- Pre-Assessment and Initial Assessment by a Certification body.

The Authority is currently training a group of Quality Management Programme (QMP) Champions to assist in the sensitization of the rest of the staff.

C. KRA Celebrates 10th Anniversary in October, 2005

Kenya Revenue Authority had a week long series of activities throughout the country to mark its 10th Anniversary. These included:

- Tax Clinics aimed at bringing services closer to the people and sensitizing them on tax matters as well as the need to comply with tax laws.
- Medical Camps held jointly with Ministry of health as part of its Corporate Social Responsibility.
- Other interactive sessions that reflects the Authority's commitment to work for the good of the Taxpayers and the country as a whole.

The climax of the celebrations was a luncheon held for its distinguished Taxpayers, during which Certificates and Trophies were awarded to recognize their remarkable compliance and contribution to KRA's achievements in the last 10 years.

D. Bereavement

It was a sad day for KRA when it lost one of its Commissioners in a grisly road accident.

Mr. Francis Thuranira who was the longest serving senior member of the Customs Department died together with his driver on 17th September, 2005.

He had a distinguished career in the Public Service spanning about 30years and was appointed Commissioner of the then Customs and Excise Department in January 2004, a position he held until his death. He has been part of the government's negotiating team to the **COMESA** and made remarkable contributions in the World Customs Organization (**WCO**). Following his demise, Mrs. Rose Wambui Namu has been appointed Commissioner of Customs Services on an acting capacity with effect from 19th September, 2005.

E. KRA Introduces Performance Contracts

Kenya Revenue Authority has introduced Performance Contracts as a tool for measuring performance in line with strategies spelt out in the Balanced Score Card.š This has been signed with the Treasury as the main stakeholder and subsequently, the KRA Board.

The Commissioner General has in turn individually signed contracts with his Commissioners which has been cascaded downwards to all line managers as a commitment and to facilitate realization of departmental and Authority's goals.

F. Team Building Workshops for Managers

KRA has for a while embarked on a journey of change as it embraces tax reforms and modernization programmes. In this context, building a good, efficient and productive team can be quite a challenge. For this reason, the Authority's Managers have been attending a series of team building workshops geared towards:

Empowering them by unleashing their potential
Helping them build team commitment
Dealing with team conflicts and
Developing a cohesive workforce

G. A Modern Staff Pension Scheme for Staff

KRA has initiated and sponsored a modern Staff Pension Scheme in line with global trends.

The Scheme originally established was designed to operate on a Defined Benefits basis and had shortcomings which were not meeting members' expectations.

To address these shortcomings, a new form of Pension was introduced with effect from 1st July, 2005 based on Defined Contributions. This is aimed at giving members superior benefits and it is not only simple to understand, but also more flexible than Defined Benefits.

H. KRA Forms Sports Club

"All work and no play makes Jack a dull boy", so the saying goes. This is why KRA has formed a Sports Club under the auspices of the Corporate and Public Affairs Division.

The formation of the club is aimed at bringing KRA staff together socially as well as enhance the Authority's image as they interact with taxpayers.

The club gives staff an opportunity to participate in games including Soccer, Volleyball, Netball and Darts.

MALAYSIA

Country Correspondent: Madam Asriah Shaari

The Kuala Lumpur Processing Centre

The Inland Revenue Board of Malaysia (IRBM) envisaged a major challenge when the Self-Assessment System implemented in 2001. It was extended to individual taxpayers in year 2004. At that time, it was estimated that a total number of 6 million taxpayers would require some form of assistance from the IRBM. It was therefore necessary to put in place an infrastructure in the form of a group of skilled and knowledgeable officers supported by an efficient communications system for the purpose of providing effective assistance to taxpayers. With this underlying premise, the IRBM formed the Kuala Lumpur Processing Centre (KLPC).

The KLPC has certainly come a long way since its establishment in 2000. With an initial staffing of 32 persons in 2001, its staff strength has since grown to 1033 persons in 2005.

With the setting up of the KLPC, all tax returns which were previously administered by the respective branches are now processed centrally at the KLPC. At the KLPC, all data and information are being keyed into the computer system. For year of assessment 2004, a total of 4.7 million tax returns were received.

The KLPC comprises 5 units, each dealing with correspondence, tax return processing, data entry, reviewing and administration respectively. In addition, the Customer Service Centre, introduced in 2001 is also housed at the KLPC. The main role of the Customer Service Centre is to assist and guide taxpayers on tax laws and procedures pertaining to the Self-Assessment System. Assistance given to taxpayers cover matters such as filing of tax returns, assessment and collection.

To ensure an efficient work process, the communications system of the Customer Service Centre is equipped with the "Intelligent Call Routing" System, whereby direct incoming calls are automatically matched to the relevant customer service officer with the appropriate skills. In line with IRBM's efforts to continuously improve its call centre services, telephone conversations are recorded for quality monitoring (such as development of frequently asked questions and settlement of disputes on information) as well as for coaching purposes.

Furthermore, the "Computer-Telephone Integrated" System enhances customer service by displaying the information of the caller (screen pop) for the benefit of the officer when attending to enquiries. All information gathered is input into a database and is used in management, control and planning reports. Issues gathered at the call centre are duly analysed and problems relating to the Self-Assessment System are directed to the relevant units for further action.

The IRBM is continuously striving to improve its customer service by adhering to its motto of providing "friendly, helpful and satisfying" service to taxpayers. The establishment of the KLPC is merely one of the initiatives undertaken by the IRBM towards this end.

Retirement of the Director of the Department of International Tax, Inland Revenue Board of Malaysia

Dato' Mohd. Zaid Ismail, Director of the Department of International Tax, Inland Revenue Board of Malaysia has retired on 18 October 2005 after a dedicated service of about 31 years.

He joined the then Inland Revenue Department in 1974 as an Assessment Officer. During his tenure of office, he served in various branches including the position of Head of the Labuan Branch and Assessment Branch.

Dato' Mohd. Zaid was CATA's Regional Director for the Asian Region from the year 2001 to 2003. He was nominated as CATA's Regional Director for the year 2001 for his excellent performance. Many CATA members will miss him at the CATA Annual Technical Conferences and Meetings of the Management Committee as he was a regular attendee. We take this opportunity to thank him for his invaluable contributions to the activities of CATA and wish him well in his years of retirement.

Dato Mohd Zaid's successor as Director of the Department of International Tax is Madam

Asriah Shaari. Madam. Asriah Shaari held the position of Deputy Director of the Department of International in July 2002. She was also appointed as the Course Director of the CATA Workshop on Taxation of International Transactions, which is annually held at the Malaysia Tax Academy of the Inland Revenue Board, Malaysia, in 2003.

MALTA

Country Correspondent: Mr Randolph Aquilina

Tax Benefits to Industry

Legislation has recently been enacted to provide for a number of incentives to industry. The following areas are covered: research and development, back office operations, warehousing in free zones, electronic business and expenditure relating to academic qualifications.

The regulations issued provide for tax credits to be available to companies incurring the specified expenditure and in each case provision was made for higher thresholds of tax credit capping to be applicable in the case of an SME. The benefits are within the limits accepted by the EU.

Another benefit also issued recently is available specifically for SMEs. This is a Reinvestment Tax Credit providing for a tax credit where profit is set aside to be invested in a capital project.

Finance Leasing

In recent years finance leasing has been increasingly used by businesses. It was felt that the Income Tax legislation was inadequate in this area and therefore the Finance Leasing Rules have been issued as subsidiary legislation to provide for the tax treatment and deductions applicable consequent to a finance lease arrangement.

Capital Gains

The Government of Malta presented its Budget for the year 2006 on 31st October. The main issue relating to income tax concerns a major change in the capital gains provisions. A property sales tax is being proposed to supplant a substantial number of cases which until now would have fallen under the capital gains provisions.

The new tax is in the form of a 12% final withholding tax to be paid on the selling price and remitted to the Commissioner on sale. The only deduction possible against the selling price is the acquisition valuation of the property in cases of inheritance and on which capital transfer duty would have been paid.

A number of exemptions that had been available under the capital gains tax system remain. For example the sale of one's residence after having owned it and resided for it for not less than three years is exempt. Other exemptions relating to forced sales are also being enacted.

In the case of property being transferred within five years of being bought, taxpayers can choose whether to be taxed under the new system as explained above or else under the capital gains system whereby the profit made on the sale is declared in the tax return and taxed at the personal rates going up to 35%.

It is expected that after the necessary amendments the Bill will become law some time in January-February 2006. We shall be keeping readers informed regarding developments in this important area.

NEW ZEALAND

Country Correspondent: Ms Kate Lukey

AUDIT STRATEGY
Cohesion/Capability/Compliance

Inland Revenue's Audit Strategy Programme is about making real changes to the way we audit taxpayers. The programme is a key part of Inland Revenue's move towards improving taxpayer compliance and improving the ability of our people to do their jobs – better processes, more intelligence and data, and smarter technology.

It is also part of the wider move amongst New Zealand Government Departments to focusing on the *outcome* of their work, rather than focusing on the work itself. In the case of Inland Revenue this means focusing on the outcome we want to achieve – improved taxpayer compliance – rather than focusing just on audit hours and financial measures.

At the heart of all this is Audit's role in the achievement of Inland Revenue's strategic objectives:

1. Streamline and simplify tax processes – this is about making it easier for people and businesses to pay their taxes.
2. Create an environment which promotes compliance – so that people pay their taxes of their own accord.

3. Enhance our people capability – so that Inland Revenue people can do their jobs better.
4. Enhance the administration of our social policy business – so that people who are entitled to benefits receive them.

The programme will prepare our Audit function to deal with the future challenges to compliance, e.g. more complex financial instruments, globalisation, and e-commerce.

Our Audit Strategy Programme is working on a range of projects so that we can better manage what we do, when we do it, and how we do it.

In the last year we have introduced a number of significant initiatives which will improve our capability in all aspects of Audit. They include:

1. Creation of a working structure based on common audit processes and supported by the continued development of our intelligence and risk management capabilities.
2. Development of a broad range of compliance measures and tools to help assess audit's impact on compliance outcomes. This includes measuring what recently audited taxpayers think of Audit's performance and what influence the audit will have on future compliance, and the introduction of a new performance standard for staff looking at whether audit activities maintain or improve compliance.
3. Extending audit's responsibility for educating taxpayers about their obligations, and focusing more on all the things that influence compliance. For example, how easy it is to file and pay tax, making payment arrangements for tax debt, and how clearly Inland Revenue communicates with taxpayers about their tax obligations.
4. Piloting technology and working practices that help our staff to work more closely together day-to-day, for example using web-based meeting tools to make information sharing easier for staff who work in different cities.
5. Building training frameworks for investigators and intelligence staff to help them develop their skills, e.g. advanced interviewing and negotiation skills.

Our work plan for the next year and beyond builds on the work we have already done and focuses on developing our capabilities in intelligence, risk management, risk response, resource management and outcomes:

- Creating a national structure that assesses risk and resource allocation over a multi-year period, and allowing local teams to identify and respond to local risks.
- Greater sharing of resources and skills between different areas of Audit. This includes extending the areas our specialist teams work in, e.g. evasion, and creating project-based teams in response to new or developing compliance threats.
- Extending and constantly testing our performance measurement framework.
- Revising roles and accountabilities to support our new ways of working.

Audit Strategy is as much about *how* our teams work together as *what* we do. We are enhancing our resources to ensure they can quickly respond to risks using a range of options. We are finding new ways to share and capture our knowledge which means the intelligence we gather always reflects today's reality. Our performance measures reflect the outcomes we want to achieve with taxpayers so that we continue to focus on long-term taxpayer compliance rather than on same-year discrepancies.

SINGAPORE

Country Correspondent: Ms Yvonne Lay

Personalised Taxpayer Portal

1. IRAS has launched a customised taxpayer portal, known as *myTax Portal* (http:mytax.iras.gov.sg). *myTax Portal* is a safe and secure one-stop Internet portal organized around the needs of taxpayers, for them to transact with IRAS electronically. It allows taxpayers to interact with IRAS with greater ease and convenience, and is part of IRAS' efforts to partner taxpayers in nation building.
2. With *myTax Portal*, taxpayers can eventually access a comprehensive suite of transactional, enquiry and account management e-services for their tax matters. E-services are currently being launched at the portal progressively. Some of the e-services which have been launched at *myTax Portal* include:
    - e-filing of Individual Income Tax Returns;
    - e-filing of Tax Clearance for Foreigners;
    - e-filing of Goods & Services Tax Returns;
    - e-filing of Estimated Chargeable Income for Companies;

- e-application of Certificate of Residence; and
- viewing of corporate profile.

Carry-Back Relief System

1. Earlier this year, the Prime Minister and Minister for Finance announced in his Budget Statement 2005 that a one-year carry-back of unabsorbed capital allowances (CA) and unabsorbed trade losses of up to S$100,000 for businesses will be introduced from the Year of Assessment (YA) 2006. The objective of this tax change is to provide timely relief for small businesses to help them cope with cash-flow problems, especially in a cyclical downturn.
2. Currently, trade losses arising from the carrying on of a trade, business, profession or vocation in any basis period by any person are allowed to be set off against his other sources of income. If the trade loss incurred in any particular YA cannot be fully relieved, the balance of such loss (unabsorbed trade loss) will be allowed to be carried forward for set-off against the income of the person for subsequent YAs.
3. In the case of a person claiming CA, any CA in excess of the income from all sources of the person (unabsorbed CA) for any YA can be carried forward to set off against income of that person for subsequent YAs.
4. Under the carry-back relief system, any person carrying on a trade, business, profession or vocation may carry back his current year unabsorbed CA and unabsorbed trade losses (collectively referred as "qualifying deductions) up to a limit of S$100,000 to be set off his assessable income of the YA immediately preceding the YA relating to the year in which the CA was granted or trade loss was incurred.
5. The carry-back relief is allowed provided certain conditions governing the carry-back of qualifying deductions are met and the administrative procedures are complied with. Details on the conditions and the administrative procedures are provided in www.iras.gov.sg.

Advance Ruling System

1. IRAS currently provides advance rulings to taxpayers to specify the tax treatment based on the current income tax legislation for proposed business arrangements. The income tax legislation, however, does not provide for the Comptroller of Income Tax (CIT) to give such rulings. As a result, the rulings are not binding in law and not every taxpayer is aware that IRAS issues advance rulings. There are also no published procedures and requirements in place to govern how a taxpayer can obtain an advance ruling from IRAS.
2. To provide greater clarity and certainty to taxpayers, the advance ruling system will be formalised and given legal effect in law with effect from 1 January 2006, subject to the enactment of the legislation in Parliament. A ruling issued under the Advance Ruling System will bind CIT to apply those statutory provisions in the manner set out in the ruling. As the rulings are private and confidential, CIT would not be releasing the rulings to the public.
3. The basic features of the advance ruling system and the application procedures can be found in www.iras.gov.sg.

Avoidance of Double Taxation Agreements with Israel and New Zealand

1) A new Agreement for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income to replace the existing Agreement was signed on 19 May 2005 between the Government of the Republic of Singapore and the Government of the State of Israel. The new Agreement will enter into force after ratification by both countries.
2) A Third Protocol to the Agreement for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (DTA) was signed today between the Government of the Republic of Singapore and the Government of New Zealand. This updates the existing DTA and provides for greater clarity in tax treatment. The Protocol will enter into force after its ratification by both countries. The provisions of the Protocol will apply to income derived on or after 1st January 2006.
3) With these, Singapore has, in force, Avoidance of Double Taxation Agreements with 58 countries (out of which 51 are comprehensive agreements and 7 are limited treaties).

ST KITTS

Country Correspondent: Ms Joanna Collins

SIGTAS upgrade and operations streamlining

The Inland Revenue Department in St. Kitts saw the launching of the **SIGTAS upgrade and operations streamlining project** during the month of September 2005. The project, which is still underway, is managed under the Revenue Management sector of Phase III of the Eastern Caribbean Economic Management Program (ECEMP III).

The purpose of the Revenue Management sector is to increase Inland Revenue Department's effectiveness and efficiency in collecting tax revenues according to existing laws. Therefore, the areas of emphasis for the upgrade and operations streamlining of SIGTAS (**Standard Integrated Government Tax Administration System**) are the review and improvement of existing procedures in order to increase efficiency and effectiveness, the training of staff on the revised procedures, and the improvement of the functionality and the performance of SIGTAS.

The project is being ably executed by two (2) overseas consultants: Project Manager and Business Analyst, Ms Alison Rygh and Systems Analyst, Mr. Juan Bailey. The project's completion will be December 9, 2005.

Tax administration and Procedures Act, 2003

The Tax Administration and Procedures Act, 2003 was effected in the Federation of St. Kitts and Nevis on September 1, 2005.š This Act seeks to revise and consolidate the law relating to the collection and payment of taxes and fees. It also provides for related or incidental matters applicable to tax transactions in the Federation.

The Act speaks to the administration and procedures relating to the Registration and Duties of Taxpayers; the Assessment, Payment and Recovery of Taxes; application of Penalties; Objections and Appeals process; and the Administrative and Miscellaneous Provisions.

The Act facilitates the accomplishment of the Inland Revenue Department's Mission which dictates that the tax laws be administered in an efficient, fair, and equitable manner. It further harmonises the various administrative procedures of the different tax laws into one piece of legislation.

UNITED KINGDOM

Country Correspondent: Ms Jas Sahni

National Insurance Contributions Bill

The National Insurance Contributions Bill, published on 11 October 2005, will ensure that all employers and employees pay their fair share of tax and National Insurance contributions (NICs) on rewards of employment. The Bill contains the power to make anti-avoidance NICs regulations effective from the same date as the anti-avoidance tax measures to ensure that employers and employees using contrived schemes cannot avoid paying their correct NICs liability. The Bill also extends the tax avoidance disclosure rules to NICs avoidance arrangements, and ensures employers cannot pass on their NICs liability on past payments of share based earnings to their employees.

The powers will enable HMRC to deter and tackle tax and NICs avoidance more effectively by ensuring that payments of employment reward will be charged to tax and NICs from the same date. The NICs Bill is intended to ensure that all employees pay the proper amount of income tax and NICs, and contribute their fair share to the provision of essential public services. Despite the efforts of successive Governments to tackle avoidance, disclosure provisions have revealed that some employers and employees are still using contrived and complex avoidance schemes to avoid tax and NICs, primarily from bonuses paid. This Bill will provide a credible deterrent against current and future avoidance activity.

HM Revenue & Customs takes steps to cut red tape

On 15 September 2005, as part of its commitment to cut red tape for organisations across the UK, HM Revenue & Customs (HMRC) launched a project to measure the administrative burden on small business of complying with the tax system.

The Hampton Review "Reducing administrative burdens: effective inspection and enforcement" reported to the Chancellor in March 2005. The Better Regulation Task Force report, "Regulation: Less is More" was published in March 2005. The Government accepted both reports in Budget 2005 and, since then, work has been progressing on identifying the regulations imposed by government.

HMRC have awarded the contract to undertake research into the “Cost to Business of Meeting the Administrative Burden of Information Obligations” to KPMG. Proposals and bids from 3 suppliers were received and have been evaluated on a ‘most economically advantageous’ basis. KPMG offered the better value for money proposal and therefore were awarded this work. The total contract value for this project is £6,195,000. The contract commenced on 12 September 2005 and is due to be reported in March 2006.

UK/Botswana Double Taxation Convention

A comprehensive Double Taxation Convention between the UK and the Republic of Botswana was signed in Gaborone on 9 September 2005. The new Convention will replace an existing Convention that was concluded on 5 October 1977. The text of the Convention is available on HM Revenue & Customs' web site, at http://www.hmrc.gov.uk/international/botswana.pdf.

The Convention will enter into force once both countries have completed their legislative procedures.

Published by The Commonwealth Association of Tax Administrators

c/o Commonwealth Secretariat

Marlborough House, Pall Mall, LONDON SW1Y 5HX, United Kingdom

Telephone: +44 (0)20 7747 6474   Fax: +44 (0)20 7747 6225

Website: www.cata-tax.org