The Commonwealth Association of Tax Administrators

cata Newsletter

27th CATA Annual Technical Conference/Workshop 2006 Tenth General Meeting (GM) 2006
Commonwealth Management Development Programme (CMDP) 2006
Management Committee Meeting (MCM) May 2006 Future CATA conferences
Regional Directors & Country Correspondents nominated for 2005

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Regulation of international tax operations

Shakespeare once expressing himself through Macbeth said that "We but teach bloody instructions and which, being taught return to plague the inventor". While that always seems to be true, at times even when we do not mean to promote evil motives, there are aspects or possibilities in new undertakings and movements that cannot always be foreseen. That is more true of today's modern new world than the world that existed a few centuries ago. Pioneers and experts in their respective fields have ended up in embarrassment when making predictions for the future. Here a couple of examples from different periods of history. "Everything that can be invented has been invented." (Charles H Duell, Commissioner, US Office of Patents, 1899.) "Who the hell wants to hear actors talk?" (HM Warner, Warner Bros, 1927.) "But what is it good for?" (An IBM Engineer commenting on the micro chip, 1968). "There is no reason why anyone would want to have a computer in their home." (Ken Olson, president, Founder, Digital Equipment Corp, 1977). "640K ought to be enough for anybody." (Bill Gates, Microsoft, 1981.)

So should we even attempt to make such bold statements about the future in a world constantly in a state of rapid change and instability? While there are not too many individual statements to quote about globalisation, there is no shortage of collective resolutions during the last few decades predicting that globalisation, was the inevitable economic and political future destiny of the world. Those predictions have come out to be true but globalisation has also given rise to developments not wholly envisaged by the authors who foresaw this development. Global terrorism is one example. Tax and fiscal authorities too are faced by some aspects of globalisation that they are struggling to fully come to grips with. Globalisation has triggered a substantial change in world economics, demanding a change in the traditional role and responsibilities of national tax administrations. Tax experts fully agree on the need for a global approach to global problems but when it comes to implementation, the move runs straight into buffers, unlike international crime where structures like Interpol exist or more recently cooperation in tackling international cross border terrorism is becoming increasingly more formally organised, coordinated and structured.

The single biggest factor that inhibits forward movement is the fact that the limits of responsibility of tax administrations are restricted to their national borders, while international transactions, technological reach and mobility of economic variables are no longer limited or bound by any geographical or political borders. Added to the ease of mobility factor is the speed and complexity with which global financial transactions are carried out. Money can be moved in and out of a dozen accounts through a chain of national boundaries within a single day, through formal and in some cases informal set ups. Taxpayers aware of the hurdles faced by tax administrations, employ fiscal planning mechanisms with a fair sense of security from detection that minimise, if not completely eliminate their tax liabilities, in the process bleeding national exchequers and eroding the tax base of countries.

So what are the problems that obstruct progress towards an international structure that could provide the answer to the almost rampant tax avoidance and evasion? Actually a number of factors are involved. An international legal framework of powers and obligations in this respect including the possibility of implementing systems for exchanging information, demanding the presentation of documents from abroad which may be necessary to carry out audits of taxpayers at home, legally binding obligations to carry out investigations or joint audits and even possibly tax recovery work on behalf of a requesting state. These are additional activities for which tax administrations simply do not have matching resources and in some cases the necessary motivation. These activities are also not of a continuous nature or predetermined volume for which stable organisational set ups could be created to justify the employment of scarce resources or to ensure that resource so employed is not underutilised or overstretched over long periods of time because of the unpredictable and fluctuating work loads.

A number of elements need to be looked at and dealt with if an effective anti-tax evasion mechanism is to be established. The starting point for such cooperation has to be exchange of information. Bilateral tax treaties invariably contain an article on exchange of information and therefore there is a well founded theoretical agreement in place. However, there are no envisaged sanctions for non-compliance. A sanctioning regime triggered by non-compliances of the commitments undertaken by contracting states in this regards is required to take the theoretical agreement beyond its current decorative value in bilateral tax treaties.

Some opponents of this idea argue that proposing a rigid sanction regime may lead to disproportionate sanctions or unfair competition between tax administrations in different situations. It is therefore important to include a system of evaluating types of non-compliance and fiscal harm in such a way that matching and proportionate sanctions can be activated. This, however, for now is a step too far. The first step is to agree in principle to the idea of sanctions for non-compliance of information requests.

The human resources dedicated to such activity would require special training, covering such subjects as knowledge of local tax rules applicable to international taxation, knowledge of comparative legislation, accounting and auditing standards, fiscal fraud, evasion and avoidance planning strategies used by the taxpayers, data storage, processing and dissemination of information, etc. It is practically impossible for states to predetermine to which extent they would benefit from participating in such activity and therefore what would be the optimal level of financial and human resource investment in such a set up. These are very difficult questions to answer even after a fair amount of effort goes into it. For the present, the whole idea seems a distant possibility. It remains to be seen how badly the situation deteriorates before there is any turn for the better.

Twenty-Seventh CATA Annual Technical Conference/Workshop and Tenth General Meeting 2006

Arrangements for the 27th CATA Annual Technical Conference in Mauritius are progressing well. The conference programme has been finalised and so far around 50 delegates have registered for the conference. The conference will be held at Swami Vivekananda International Convention Centre, in Port Louis, Mauritius. The following two topics will be discussed at the conference/workshop:

1. **Strategies for taxation of the self-employment sector.**
2. **Practical approaches towards ensuring integrity in tax administration.**

Important information about the conference can be obtained from the CATA web site at www.cata-tax.org as well as the special conference web set up by the Mauritius Revenue Authority at www.cata2006.gov.mu.

The Tenth General Meeting of the Commonwealth Association of Tax Administrators to be held on the afternoon of Sunday, 13 August 2006. Elections for the offices of the President, Chairman, Vice-Chairman and members of the Management Committee of CATA would be held during the GM. The General Meeting will also consider the annual budget proposals for the period 2007/08 to 2009/10, as well as the annual membership subscriptions for the same period.
Other administrative matters will also be discussed at the GM.

Advancing Management Potential (AMP) 2006

All arrangements have been completed to run the AMP training course from 31 July to 15 September 2006 in the United Kingdom. The popularity and high rating of the programme is reflected in the fact that the course is over-subscribed this year and some applicants may have to be excluded to keep participation numbers within planned arrangements. The course is designed to develop those tax officials with the potential to reach the most senior levels in their organisations, especially those involved or interested in organizational, cultural and technical change.

Commonwealth Tax Inspectors Course (CTIC) 2006

All arrangements have also been completed to run the CTIC programme concurrently with AMP. This course too is very well subscribed. This Course is meant for officers involved in audit/compliance work or their trainers and is 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.

It is very heartening to note that interest in both AMP & CTIC is at an all time high, reflecting the high esteem in which these training programmes are held by the membership. Both programmes are over-subscribed and given logistical limitations, a number of applicants will unfortunately have to be excluded from availing the training facility this year.

Commonwealth Management Development Programme 2006

The Commonwealth Management Development Programme (CMDP) for 2006 will be hosted by Jamaica from 18 September to 27 October, 2006. Trainees will be accommodated at Medallion Hall hotel in Kingston and training will be held at the Management Institute for National Development (MIND). CATA Secretariat has issued the annual CMDP circular to all members. Experts from the Australia Taxation Office and Inland Revenue, New Zealand will deliver the course materials.

Course Objectives

The Course is open to senior tax officials from the Commonwealth countries and course objectives include:

1. Extend participant's management perspective and skills
2. Enable participants to review and revisit their management practices
3. Develop participant's confidence to enable them to apply new skills to the workplace
4. Challenge participant's current thinking and practice
5. Create an active learning environment
6. Model team work and team learning processes

7. Broaden participants' knowledge of certain key areas of tax administration
8. Examine trends in Commonwealth tax administrations
9. Share and examine different and best practices in certain areas of tax administration
10. Design and present as "best practice" a part of the taxation system.

A limited number of fellowships will be available from the Commonwealth Fund for Technical Co-operation through Commonwealth Secretariat's Governance and Institution Development Division (GIDD), for candidates from the African, Asian, Caribbean, Mediterranean and South Pacific regions. Application procedures are detailed in the workshop Circular No 5 of 2006 The total cost of CMDP 2006 participation per person will be **£2,400 (US $ 4,525)**. This included training fee, accommodation, meals, and transport for official purposes where required. However, where two participants agree to share a hotel room, the total cost will be **£1,700 (US$3,200)** per participant.

Ms Sadie Fraser will be the Course Director for CMDP 2006. For any further details, information or workshop registration procedures, she may be contacted at:

Training Specialist
MIND
235A Old Hope Road, Kingston 6
Kingston, Jamaica W.I.
Tel: (876) 927-1761-3, ext.265
Fax: (876) 970-2529
Email: taramind_tasd@yahoo.com

Management Committee Meeting, May 2006

The Management Committee of CATA held its annual meeting in London on 9 and 10 May 2006. It was preceded by the meeting of the Performance Evaluation Committee a day earlier. This was the last meeting of the present Management Committee. A new Committee will be elected at the 10th General Meeting on 13 August 2006in Mauritius. The Committee took important decisions relating to the General Meeting as well as implementation of CATA second Strategic Plan. The Committee also approved the following recommendations of the Performance Evaluation Committee regarding the performance of Regional Directors and Country Correspondents for the year 2005:

Regional Directors for 2005:

1.	**Ms Pam Mitchell**	**Australia**
2.	**Mr. Carmel Conti**	**Malta**

Country Correspondents for 2005:

1.	**Ms B Hussein**	**Guyana**
2.	**Miss Meris Haughton**	**Jamaica**
3.	**Mr. Randolph Aquilina**	**Malta**
4.	**Ms Jas Sahni**	**UK**
5.	**Mr. David Tansey**	**Fiji Islands**
6.	**Ms Kate Lukey**	**New Zealand**

The Committee noted with satisfaction that the level of contributions by Country Correspondents had progressively gone up in recent years. A total of 29 news despatches were received in 2003. In 2004, the total increased to 36 and for the year 2005 the total had risen to 47. The Committee approved that in addition to the formal nominations, the following Country Correspondents may be issued letters of appreciation for their contributions during 2005

1.	**Madam Asriah Shaari**	**Malaysia**
2.	**Ms Yvonne Lay**	**Singapore**
3.	**Mr. Lloyd Cummins**	**Barbados**
4.	**Mrs. Athina Stephanou**	**Cyprus**
5.	**Mr. Sly Doggu**	**Ghana**
6.	**Ms Alice Owuor**	**Kenya**
7.	**Mr. Setsoto Ranthocha**	**Lesotho**
8.	**Mr. Pumulo Akapelwa**	**Zambia**

Topics for CATA conference 2007

Kenya will host the CATA conference in 2007 from 6 to 10 August. The following two topics will be discussed at the conference:

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

Venues for future conference

Fiji has confirmed its decision to host the CATA conference in 2008 while the conference in 2009 will be hosted by Malawi.

Appointments and Retirements

New Prime Minister of Solomon Islands

Mr. Manasseh Sogavare was elected Prime Minister of Solomon Islands earlier this year. Some present and former colleagues of CATA may recall that Mr. Sogavare attended the CATA conference in Nigeria in 1992 as Commissioner of Inland Revenue of the

Solomon Islands. It is a matter of great pride and delight for the CATA fraternity that a respected former colleague has successfully achieved the highest office in his country.

New Deputy Secretary-General Appointed

Mr. Ransford Smith, a senior public servant from Jamaica, has been appointed Deputy Secretary-General (Economic) of the Commonwealth. He will succeed Winston Cox of Barbados. Mr Smith is expected to assume office in July 2006.

New CATA Vice-Chairman

The Management Committee elected a new Vice Chairman during its meeting in London on 9 and 10 May 2006. He is John McGinley of the International Relations Secretariat, HM Revenue and Customs. John has been associated with CATA for many years through his previous role as the Head of the Inland Revenue's International Assistance Section, and is known to generations of participants as the individual formerly responsible for the provision of the CATA sponsored AMP and CTIC training programmes, hosted and delivered by HMRC in the United Kingdom.

Mr. McGinley took over the position from Mr. Gerry Cook, who also worked for the HMRC and retired at the beginning of April this year.

New Country Representatives

Mr John McGinley has also now been appointed CATA Country Representative for the United Kingdom in place of Mr Gerry Cook. Mr. McGinley is already well introduced to a number of CATA members, especially who have attended the AMP or CTIC training programmes in the United Kingdom in recent years.

Maj. (Rtd.) Dan Ablor-Quaicoe, a substantive Commissioner of Internal Revenue, Ghana has been appointed CATA Country Representative for Ghana in place of Mrs Janet Opoku-Akyeampong, who retired in March 2005. The appointment took effect from 8 May 2006.

New Country Correspondents

Mr Richard Dyson has been appointed the new CATA Country Correspondent for Canada. Mr Dyson replaces Ms Christina Lee, who was the Country Correspondent for a number of years and has now been assigned to other duties within the Canada Revenue Agency. She also served on the Management Committee of CATA at some meetings and was closely involved in the drafting of the second Strategic Plan of CATA currently under implementation as well as organisation of the CATA conference in Canada in 2005. CATA records its deep appreciation of the services rendered by her.

Ms Dhammika Gunatilaka, Deputy Commissioner is the new CATA Country Correspondent for Sri Lanka.

Former Vice Chairman Honoured

CATA is delighted to announce that Gerry Cook who retired from HM Revenue and Customs and as Vice Chairman of CATA on 7 April 2006, was appointed an Officer of the Order of the British Empire in the recent Queen's Birthday Honours List. Gerry views this as an honour for CATA, and an opportunity (which he has promised to take) to promote CATA at the highest possible level. Gerry served as Vice Chairman from 1993 until 2006, and in between as Chairman of CATA from 1995 to 1997.

TALKING TO MEMBERS

Ten minutes with Robert A. Russell

Assistant Commissioner, Atlantic Region, Canada Revenue Agency.

Career synopsis:

Joined Revenue Canada in 1998.

Mr. Russell has held a variety of positions at the federal and provincial government levels. These include Industry Canada, Energy, Mines and Resources Canada, the Nova Scotia Department of Development, and the Nova Scotia Department of Municipal Affairs.

In addition to his duties with Canada Revenue Agency, Bob Russell is currently vice-chair of the Nova Scotia Federal Council.

Mr. Russell holds a Master of Business Administration degree from Saint Mary's University, a Master of Urban and Regional Planning and a Bachelor of Education from Queen's University, and a Bachelor of Science from Dalhousie University.

Size of revenue authority:

Approximately 34,300 permanent employees, and a term population which fluctuates to approximately 10,000 during peak tax filing season. Fifty-five service sites across the country.

Types of taxes administered:

- Income tax
- PAYG withholding/instalments
- Corporation tax
- VAT/Sales Tax/GST
- Excise duty
- Customs duty
- Capital gains tax
- Fringe benefits tax
- Pension/Superannuation
- Student loans
- Workers' Compensation Board.

Total value of taxes collected last fiscal year:

Approximately $305 billion, averaging over $1.2 billion every working day, including: over $42 billion on behalf of the provinces, territories, and First Nations; over $17.7 billion for Employment Insurance Premiums; and approximately $29 billion in net revenues on behalf of the Canada Pension Plan.

What percentage of total government revenue does this amount of tax collected represent:

Over 85%.

Operating budget: $3.2 billion.

Types of benefits paid:

Family tax benefits; Child benefits; Disability tax credit, GST/HST tax credit, various provincial benefits programs

Three key challenges facing your revenue authority:

1. Non-compliance: As part of the CRA's ongoing to ensure a level playing field for all Canadian taxpayers, we are working to enhance our compliance activities. In August, the agency established eleven Centre of Expertise across Canada to address aggressive tax planning. These Centres of Expertise represent a new way of doing business for the CRA. By bringing together audit professionals from the areas of international tax, special audits and tax avoidance to create teams of experts, the CRA is ensuring a more coordinated approach in addressing aggressive international tax planning and the abusive use of tax havens.

2. Changing technology: Like many organizations, advances in technology have impacted the way we do business. Today Canadians are looking for government services that are secure, reliable, and easy to access. To meet these needs, the CRA offers an electronic option for all its taxes and is continuing to expand services available online.

3. Government Accountability: Canadians must have confidence in their tax administration. The Agency has worked to develop an improved accountability regime, both to Parliament and to the provinces and territories it serves. Our robust performance management system carries accountability for results down through the organisation, making all managerial levels responsible for contributing to the Agency's priorities.

Three key initiatives/programs underway at the moment:

1. Expanding business opportunities: CRA is committed to pursue new business opportunities to become the service provider of choice to the provincial, municipal and First Nations governments that make up its client base. Already, the CRA has entered into almost 90 agreements for joint program delivery. Expanding this business will result in more integrated delivery of tax and benefit programs and a reduced compliance burden for individuals and business.

2. Taxpayer Alert: Provides Canadian taxpayers with a central repository of information about such things as tax shelters, tax havens, the underground economy and enforcement activities, as well as warnings about tax avoidance and tax evasion schemes. It also alerts taxpayers to the risks they are exposed to by hiring contractors who work in the underground economy.

3. Government Online: Through its website, electronic filing options and online services like My Account, CRA is helping Canadians manage their own personal income tax and benefit accounts, and also making it easier for companies to meet their tax obligations using online services.

How can CATA add more value to your revenue authority:

- Involvement with CATA contributes to effective administration of the Canadian tax system, and provides a means for the CRA to share its best practices with other member organizations, particularly in developing commonwealth countries.

Favourite past-time(s) apart from tax:

Mr. Russell is a volunteer executive member of the Canadian Canoe Association, and an avid runner and cyclist. He is married and has four sons.

Other News

Secretary-General Outlines New Comonwealth Directions

The Commonwealth will work towards the global promotion of tolerance, bridging the digital divide and enhancing the economic stature of its 53 members, Commonwealth Secretary-General Don McKinnon said in his Commonwealth Round Table Lecture in Melbourne, Australia, on 21 March 2006. These are among priority mandates agreed by Commonwealth leaders at their summit in Malta in November 2005.

"The alarming backdrop of increasing global misunderstanding and intolerance was the call by our leaders for the Commonwealth to put its comparative advantage in the field of diversity to greater use, in an effort to stop us and others sliding down the slippery slope of mutual incomprehension and prejudice," the Secretary-General said.

"The Commonwealth has a good record here, with excellent examples of successful management of national and international diversity: experience it can use to promote inter-faith and cross-cultural dialogue and make practical improvements, within our organisation as a whole and indeed within our world at large.

"In an effort to document best practice and experience of mutual respect and understanding, I will be convening a group of eminent persons from various walks of life from around the Commonwealth in the coming months, to see what they have to advise on the matter. We will be holding workshops, colloquia and other deliberations, also involving the Commonwealth's youth to the greatest extent possible, to find a practical way ahead towards building more harmonious societies."

Mr McKinnon also described the 'digital divide' of information technology haves and have-nots as having the potential to become a "new iron curtain", and outlined Commonwealth plans to bridge this.

"Work got under way just a fortnight ago," he said, "when a Steering Committee met for the first time to take forward a Commonwealth Plan of Action on the Digital Divide, with a special fund to support the exercise which has already benefited from over £700,000 in government contributions, the bulk of it from India."

The Secretary-General also highlighted the Commonwealth's commitment to bridging the economic divide, by pushing for free and fair trade for all, and ensuring that the Doha Round of international trade talks delivers a genuine development dividend.

In conclusion, Mr McKinnon reaffirmed that it is the younger generation that holds the key to the continued success of the organisation. "If I have a message for you today it is to reach out to the younger people; teach them what is great about our organisation; show them what is great about our Commonwealth; about our future; about their future," he said.

The full text of the Secretary-General's speech can be found at http://www.thecommonwealth.org/Templates/Internal.asp?NodeID=149914.

Secretary-General Welcomes the Creation of a Human Rights Council

Commonwealth Secretary-General Don McKinnon has welcomed the historic decision by the United Nations General Assembly on 15 March 2006 to set up a Human Rights Council.

"The establishment of the Human Rights Council consolidates the mutually reinforcing and interlinked roles of human rights, international peace and security, and development," said the Secretary-General in a statement released on 16 March. "The adoption of the UN resolution establishing the Council by an overwhelming majority testifies to the strong commitment and resolve of the international community to the advancement of fundamental human rights and freedoms for all."

Mr McKinnon stated that the Commonwealth Heads of Government had declared their backing and commitment for the creation of the Council during discussions at their summit meeting in Malta in November last year. He stressed that the new Council's success will be judged by the extent to which it achieves more, in terms of both quantity and quality, in tackling global human rights priorities than the Commission which it replaces.

"As the principal world body now entrusted with the promotion and protection of human rights," said the Secretary-General, "the Human Rights Council must be given the necessary resources and support to carry out its mandate fully and effectively." He expressed hope that the work of the Council will be "guided by a genuine spirit of co-operation and dialogue — based on the fundamental principles of universality, objectivity and non-selectivity.

"For the Council to achieve its full potential, it needs to be strong and principled and to operate with integrity, strengthening the promotion and protection of human rights at every level and for every individual. We will watch the Council's progress with great interest and keenly await its opening session on 19 June 2006."

The Secretary-General emphasised that safeguarding human rights for all its citizens remains one of the guiding principles of the Commonwealth.

"We still have more work to do ourselves and are committed to raising human rights standards in all of our 53 member countries," said Mr McKinnon. "We are working in particular to promote pro-human rights activities at the community level and to secure ratification of UN human rights conventions at the national level. The Commonwealth reaffirms its commitment to work closely with the Human Rights Council in furthering our common goal for the advancement of human rights around the world."

Commonwealth Hosts Birthday Lunch for the Queen

Her Majesty Queen Elizabeth II attended a special 80th birthday lunch hosted by Commonwealth Secretary-General Don McKinnon and representatives of Commonwealth governments at Marlborough House, headquarters of the Commonwealth Secretariat, on 9 May 2006.

The Queen was accompanied by HRH The Duke of Edinburgh. Prime Minister Dr Lawrence Gonzi of Malta, who is Commonwealth Chairperson-in-Office, representatives of the 53 member countries of the Commonwealth, and former Commonwealth Secretaries-General Sir Shridath Ramphal and Chief Emeka Anyaoku, were also present.

The lunch menu and wines, table settings, and accompanying music of the Artea Quartet were all specially prepared to reflect tastes, sights and sounds from around the Commonwealth.

In a short speech at the lunch, Mr McKinnon said the Queen's commitment to the Commonwealth remains as strong and appreciated today as ever. He noted the changes that have taken place in the Commonwealth in half a century, with a doubling of its population and membership, its role in the birth and rebirth of nations, and its championing of the cause of democracy and the plight of the poor. Throughout this change, he stressed that there have been two constants — the principles that bind the Commonwealth and the role of the Queen as Head of the Commonwealth.

"You have been a true symbol of the values which bind Commonwealth members together, freely and equally. As the Commonwealth has evolved and modernised over the years, you have continued to reflect back at us those positive changes. In 1970, you called the Commonwealth, 'rather a special family, a family of nations'. It is just that: a family of peoples and governments united by commonly held beliefs, and a network for good. And you have indeed been both the symbolic head of the family, and also an active participant."

Dr Gonzi led the toast to the Queen who was then presented with a commemorative photo album showing every meeting of Commonwealth Heads of Government that she has attended since 1952. The Queen and the Duke of Edinburgh also received leather-bound copies of 'The Commonwealth Yearbook 2006'.

As the Queen left Marlborough House, Commonwealth Secretariat staff sang a farewell song in Twi, a Ghanaian language. Seven-year-old Russell Natera Woolford, the son of a Secretariat staff member, presented a posy to the Queen. Secretariat and Commonwealth Foundation staff then presented her with a birthday song in a rousing chorus in English.

The Secretary-General's speech is available at www.thecommonwealth.org.

'Bridging the Digital Divide'—Inaugural Commonwealth Meeting

The Commonwealth Action Programme for the Digital Divide (CAPDD) Special Fund now stands at more than 1.1 million euros, with contributions from the Governments of India and Malta. Commonwealth Secretary-General Don McKinnon announced this at the inaugural meeting of the 14-member CAPDD Steering Committee held at the Commonwealth Secretariat in London, UK, on 7 March 2006.

The fund will facilitate the implementation of specific programmes, projects and activities to develop information and communication technology (ICT) capacities of member countries to bridge the digital divide and achieve the performance targets endorsed by the Commonwealth Heads of Government Meeting (CHOGM) in Malta last year. The CAPDD is intended to accelerate the social and economic development of Least Developed Countries and small island developing states of the Commonwealth through the use of ICTs to enable them to enter the information age fully equipped to compete effectively in the global marketplace.

Mr McKinnon said that he was proud of what has been achieved since the endorsement of the CAPDD at CHOGM. "We all know the extent of the problem and we have an equally clear vision of the solution," he commented.

Malta's Foreign Minister and chair of the CAPDD Steering Committee, Dr Michael Frendo, said that implementation of the tasks ahead would be crucial, and that committee members should take ownership of this project to achieve success. He stated: "Success for us is when there is change on the ground, that we manage to make a difference to the people that need difference in their lives."

The Steering Committee is responsible for establishing the strategy and methods to ensure that the CAPDD meets its targets on the creation of ICT strategy and processes in developing countries. The aim is to achieve more progress in the sharing of Commonwealth best practice across five key areas of the project: building policy and regulatory capacity; modernising education and skills development; encouraging entrepreneurship for wealth creation and poverty reduction; promoting local access and connectivity; and enhancing regional networks, local content and knowledge.

The Committee is made up of representatives from India, Malta, Mozambique, and Trinidad and Tobago; civil society; and five agencies, namely, the Commonwealth Broadcasting Association, Commonwealth Business Council, Commonwealth of Learning, Commonwealth Network of Information Technology for Development; and the Commonwealth Telecommunication Organisation.

Narrowing the Gap between Commonwealth Countries

The Commonwealth can bridge the gap between the different levels of development among its member countries by finding a common ground through shared values.

James Wolfensohn, former president of the World Bank, said the Commonwealth can address the disparities between the high, middle and low income countries through close collaboration based on a shared heritage of history, language and values. He said this in a speech delivered at the Ninth Commonwealth Lecture in London, UK, on 2 March 2006 titled 'The Future Role of the Commonwealth: A Bridge Between an Emerging Three-Speed World'.

Mr Wolfensohn stated that high income Commonwealth developed countries such as Australia, Canada, New Zealand and the UK will continue to enjoy a major share of global economic growth, while middle income countries such as India, Malaysia, Nigeria and South Africa will enjoy healthy growth in their gross domestic product. Low income and poor countries may languish in poverty if faced with low economic growth but high population growth. Adding to this situation is the disparity in the volumes of foreign direct investment and trade among countries that fall into the three different tiers of development. Mr Wolfensohn pointed out that these factors have a role in determining the level of equitable growth and social justice that in turn affect global stability.

Strong leadership, accountability and eradication of corruption can make a difference in a country's progress, said Mr Wolfensohn. Apart from these, having the know-how, coupled with strategic planning and implementation of development programmes, can enhance the growth process. An educated and healthy population are also critical factors, he added.

Mr Wolfensohn stressed that the Commonwealth has tremendous strengths that can be drawn from its association of 53 countries with close to 2 billion in total population. He commended the Commonwealth for its work that is targeted at promoting peace and democracy, human rights, the rule of law, good governance, public sector reform, gender equality, education, health and trade to advance sustainable development.

Web Portal for Small Businesses Launched

The Commonwealth Secretariat on 22 March 2006 launched a new electronic portal dedicated to small and medium-sized enterprises (SMEs). The portal can be accessed through the Secretariat's website using the following link: www.thecommonwealth.org/investment.

The portal provides, under one electronic roof, easy access to useful information and materials of special interest to SMEs. These include regularly updated descriptions of, and access to, SME-dedicated institutions and funds, by sector, region, size, and type of financial product offered. There are also background documents relating to SME financing and development, and a schedule of upcoming meetings and events of interest to SMEs, by region and by theme.

The portal also enables online discussions and a question-and-answer section via a discussion forum. Interested parties are encouraged to register and participate in the forum at http://forums.thecommonwealth.org/forumdisplay.php?f=8. The SME investment forum can also be accessed by following the link to 'Discussion Forum' from the Investment portal page.

Dr Indrajit Coomaraswamy, Director of the Secretariat's Economic Affairs Division, said: "Designed and managed by the Commonwealth Secretariat, this user-friendly portal will become a key business tool in identifying opportunities and partners, an opportunity to exchange views and experiences, and a vehicle to disseminate and share information for SMEs and SME partners alike."

Enhancing Budgetary Outcomes: Adopting Commonwealth Best Practice

Equipping senior budget officers and managers with the necessary skills to meet new challenges in public financial management is the focus of a Commonwealth training programme beginning soon.

The programme 'Enhancing Budgetary Outcomes: Adopting Commonwealth Best Practices' will be held from 27 March to 7 April 2006 in Singapore and has attracted more than 30 participants from Commonwealth countries.

Kaifala Marah, Adviser, Public Expenditure Management, in the Commonwealth Secretariat's Governance and Institutional Development Division, said the main thrust of the seminar is "to enhance the capacity of senior budget officers and managers to conceptualise, control and manage changing trends in public financial management and country-owned institutional re-engineering in the public sector."

Mr Marah said the seminar also seeks to introduce senior officers to the Secretariat's 'Guidelines for Public Financial Management Reform' adopted by Commonwealth Heads of Government in Malta, in November 2005. At their 2003 summit in Abuja, Heads of Government committed themselves to institutionalising transparent and accountable public expenditure management systems in member countries.

The programme is the second in a series for senior budget officers and managers of public expenditure, and is organised by the Secretariat's Commonwealth Fund for Technical Co-operation in partnership with the Singapore Ministry of Foreign Affairs through its Singapore Co-operation Programme, under the auspices of the Singapore-Commonwealth Third Country Training Programme.

This title can be bought online at http://www.publications.thecommonwealth.org/.

New Deputy Secretary-General Appointed to Commonwealth

Ransford Smith, a senior public servant from Jamaica, has been appointed Deputy Secretary-General (Economic) of the Commonwealth. He will succeed Winston Cox of Barbados, and becomes the first Jamaican to serve as a Commonwealth Deputy Secretary-General. Mr Smith is expected to assume office in July 2006.

A career diplomat of nearly 30 years standing in the Jamaican Public and Foreign Service, Mr Smith is currently Permanent Representative of Jamaica to the Office of the United Nations and its specialised agencies in Geneva, Rome and Vienna. He is also Ambassador of Jamaica to the World Trade Organisation (WTO), and serves as Ambassador to a number of European countries.

"I am delighted to have Ransford Smith join our team at this time of growth and challenge in the Commonwealth," said Commonwealth Secretary-General Don McKinnon.

"Last year, Commonwealth governments pledged to substantially increase their commitments to our aid programmes. They have also mandated the Commonwealth Secretariat to strengthen intra-Commonwealth trade and economic linkages, in order to influence the Doha Round of world trade negotiations. Mr Smith brings all the skills and talents required for this important and sensitive work."

Mr Smith previously served as Permanent Secretary to the Ministry of Commerce and Technology, and also Permanent Secretary to the Ministry of Industry and Investment. His diplomatic career has included postings at the Jamaican Embassy in Washington DC and the Jamaican Mission to the UN in New York. He has led Jamaican delegations to international conferences including the Doha Ministerial Conference of the WTO. He was also Chief Negotiator and Spokesperson for the Group of 77 and China at UNCTAD XI in June 2004.

"I am excited for the opportunity to contribute in areas of importance for Commonwealth members, especially development co-operation and the strengthening of trade performance," said Mr Smith. "I welcome this new challenge, and very much look forward to taking up the post."

Enahancing the SME Sector in Mauritius

The Mauritius Deputy Prime Minister and Minister for Finance and Economic Development, Rama Krishna Sithanen, said a key component in the Government's agenda for economic empowerment and democratisation is the development of the small and medium enterprises sector into a competitive force. He also acknowledged the Commonwealth Secretariat has been playing a vital role in helping the Government to achieve this goal. Mr Sithanen stated this during the presentation of a Small and Medium Enterprises (SME) Networking Strategy and Policy by the Secretariat to the Government of Mauritius in Port Louis, the country's capital, on 7 April 2006. The project was undertaken by the Secretariat's Special Advisory Services Division (SASD).

George Saibel, Director of SASD, said the Commonwealth Fund for Technical Co-operation has helped to build the sustainable operating capacity among SME support institutions and enterprises in Mauritius to enhance their competitiveness. This includes the training of about 30 lead network facilitators and brokers, apart from the implementation of an Economic Productivity Benchmarking Tool for SMEs. Mr Saibel explained that the National SME Networking Strategy and Policy was aimed at promoting an enabling environment and enhancing the competitiveness of the SME sector.

Dr Rajeshwar Jeetah, Minister for Industries, SMEs and Commerce of Mauritius, noted in his address: "These interventions by the Commonwealth Secretariat will effectively assist our SME sector in their strategic response to the ever evolving globalisation process."

All participants under this programme, including SMEs in the manufacturing sector, were presented with Certificates of Achievement. The University of Mauritius was also an active partner in the training process.

Civil Society Consultation on Strengthening Development Co-operation

Civil society organisations sat down with the Commonwealth Secretariat and Commonwealth Foundation in London, UK, on 10 May 2006 to seek new ideas and collaborative action in development programmes.

Commonwealth Secretary-General Don McKinnon said civil society plays a vital role alongside government and business in the area of advocacy to enhance the interests of societies and communities. In his opening remarks, Mr McKinnon said civil society groups have had valuable input at Commonwealth Heads of Government Meetings (CHOGMs) and other ministerial meetings. The importance of civil society in the Commonwealth was first recognised more than 40 years ago with the establishment of the Foundation. Today, Mr McKinnon pointed out, a vibrant network of some 80 civil society organisations bear the Commonwealth name and the Secretariat, Foundation and civil society groups share the same goals in promoting development and democracy.

Dr Mark Collins, Director of the Foundation, said civil society organisations help to identify priorities for socio-economic development and work in partnership with governments to promote various issues. He noted that civil society can help reinforce the important focus on respect, tolerance and faith, as well as gender equality and health that was emphasised at the CHOGM in Malta in November 2005. The participants also discussed respect, faith and understanding; monitoring and evaluating progress on gender equality; plans for the 8th Women's Affairs Ministers Meeting in Uganda in 2007; and environmental and health care issues.

Leolynn Jones, President of the Commonwealth Countries' League, said the exchange of views had been stimulating. "I think we are all now geared up to participate more in the 2007 CHOGM and the 8th Women's Affairs Ministers Meeting in Kampala," she said.

SME Development can Promote Economic Growth

Small and medium-sized enterprise (SME) development has the potential to bring the fruits of economic growth to poorer people. In this way, the growing inequality brought about by globalisation can be countered.

George Saibel, Director of the Special Advisory Services Division of the Commonwealth Secretariat, said this at the Fourth Commonwealth-India Small Business Competitiveness Development Programme in Chennai, India, on 23 April 2006.

The theme of the programme was 'Poverty Alleviation through Sustainable SME Development'. It was jointly organised by the Secretariat, India's Ministries of Small Scale Industries and Agro and Rural Industries, the Export-Import Bank of India and the M S Swaminathan Research Foundation.

The week-long institutional capacity-building programme was aimed at developing competitive small business practices, policies and strategies for Commonwealth developing states. Sixty participants from 34 Commonwealth countries, including India, attended this training programme which included visits to enterprises and business clusters.

Anupam Dasgupta, Secretary to the Government of India in the Ministries of Small Scale Industries and Agro and Rural Industries, said his government is happy to partner the Commonwealth Secretariat on this training initiative to achieve the common quest of overcoming poverty worldwide by generating employment opportunities through SME development.

New Publication: 'Small States: Economic Review and Basic Statistics, Volume 10'

Published by the Commonwealth Secretariat in March 2006, this is the tenth issue of an annual publication previously published under the title 'Basic Statistical Data on Selected Countries (with populations of less than 5 million)'. This annual collection of key economic and statistical data on the world's small states is an essential reference for economists, planners and policy-makers.

As in previous issues, the publication is in two parts. The first part focuses on the recent economic performance of Commonwealth small states, looking at growth, employment, inflation and economic policy issues, and offering a deeper understanding of developments behind the statistics.

This part also contains two feature articles. 'Progress Towards Achieving the Millennium Development Goals (MDGs) in the Small States of the Commonwealth', by Professor Andrew S Downes of the University of the West Indies, examines the basic features of the Commonwealth small states and discusses progress made towards achieving the eight MDGs in the 32 small states of the Commonwealth.

The second feature, 'Small Economies and Special and Differential Treatment: Strengthening the Evidence, Countering the Fallacies' by Virginia Horscroft argues that the peculiar characteristics of small economies — their size, vulnerability and governance capacity — combine to constrain their ability to benefit from the globalisation of markets under current trade rules. The article contests the assertion that it is necessarily the case that currently agreed and emerging international trade rules are beneficial for all states.

The second part of the book provides social and economic data on small states. There are 51 tables and 11 charts covering selected economic and social indicators culled from international and national sources, and presenting information unavailable elsewhere.

ISBN 0-85092-831-1; 178 pages; price: £25.00

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News from Members

AUSTRALIA

Country Correspondent:
Pam Mitchell

Superannuation in Australia

Australia's superannuation system was set up to encourage as many people as possible to save money for their retirement.

The Australian Tax Office assists in this process by administering the superannuation guarantee system. This is a compulsory scheme where employers must pay superannuation contributions into a complying superannuation fund or retirement savings account so the employee may access them when they reach retirement age. Employers who do not make the minimum required contributions by the cut off date must pay a tax known as the superannuation guarantee charge.

In Australia, superannuation is managed in the private sector by about 320,000 funds. These range from small family-run funds through to large industry schemes run jointly by trade unions and employers.

Funds are run by trustees who ensure superannuation savings are invested with care. They have their own rules but must also follow government rules which are designed to ensure all superannuation is properly managed.

Over time, superannuation contributions build into a larger sum that earns investment income and continues to grow until retirement. When Australians retire, this money is paid to them either as a lump sum or a superannuation pension.

Superannuation savings are generally taxed at concessional rates which the Australian Tax Office is responsible for administering.

The Tax Office also performs a regulatory role for around 312,000 self managed superannuation funds. A key part of this regulatory role is to educate people about their responsibilities as trustees and to ensure they comply with a range of legislative requirements.

Another role the Australian Tax Office performs to ensure the superannuation system runs smoothly is keeping a register of lost members so people who have lost track of their benefits can regain control of them.

The Tax Office also manages the Super Co-contribution. If eligible employees make personal superannuation contributions, the government matches their contribution with a co-contribution up to certain limits.

Under the scheme, the government contributes $1.50 for every dollar of after-tax superannuation contributions made by employees earning $28,000 or less a year, up to a maximum co-contribution of $1500 a year. The co-contribution is then gradually reduced until it is phased out for employees earning more than $58,000 a year.

If you would like to read more about superannuation in Australia, please visit our website at www.ato.gov.au/super

Significant changes support compliance case managers (a Change Program update)

The second release of the Easier, cheaper, more personalised program is underway, heralding some of the biggest changes the Australian Tax Office has ever experienced.

We have begun rolling out the case management component of Siebel that will gradually replace the multiple case management systems, business procedures and different business terms we now use. The second release also includes new work management systems for managing correspondence and client inquiries, record keeping and reporting, and new ways of storing and publishing Tax Office content. An update on these aspects of the second release will appear in a future edition.

The rollout of Siebel case management started with a small group of staff, enabling us to fully test the new system, new business processes and training packages before continuing. A progressive roll out to all case officers involved in active compliance casework is now underway.

By December this year more than 6,000 active compliance case officers will use the single Siebel system and enterprise-wide business processes for generating, managing and reporting on active compliance cases.

Staff will use new processes such as managing cases electronically and will follow set case plans and common business terms. Thirty-six different case types—each with its own case plan, templates, reminders, quality checks and alerts—will support them in this work.

With a strong focus on project management, the new business processes will make it easier for case managers to consult with other case officers on interrelated cases and obtain a broader perspective of a client across the entire Tax Office.

Team leaders will be able to view the progress of each case, noting key milestones in each case plan. This will help them improve their management of team and individual case workloads and provide their staff with help at the right time.

The new system will provide senior managers with a precise view of the effectiveness of our compliance program. It will help them focus their resources according to risk and prioritise these risks based on their importance.

Rolling out Siebel case management over a six-month period is a challenging and highly complex undertaking. Highly complex because different compliance case teams will receive different components of Siebel at different times. Some case officers will use both old and new systems, while others will use temporary work processes to manage their cases through multiple systems.

The rollout is challenging because it coincides with the busiest time of the year for the Tax Office and the community, making it vital for us to ensure normal business operations continue and that we minimise any disruption to our clients. From 2007 all active compliance case officers will be using Siebel.

Client relationship management system

To enable us to handle the increased call loads we experience when taxpayers lodge their quarterly returns, 340 extra staff received the Siebel client relationship management system in February. This means we currently have 3,000 call centre and call escalation staff using Siebel to answer the 11 million incoming calls to these areas each year.

Letter scanning increased

As part of Release 2 we have increased our scanning of letters, enabling call centre and call escalation staff to view images of all incoming letters in Siebel as they deal with taxpayer enquiries. Further enhancements will occur as the Easier, cheaper, more personalised program continues.

BOTSWANA

Country Correspondent:
Mr T P Bakwena

Extracts from the Fiscal Legislation section of Minister of Finance and Development Planning's Budget Speech for 2006/2007

In the Budget Speech for 2005, the Minister of Finance and Development Planning, Mr Baledzi Gaolathe announced that a comprehensive review of the Income Tax Act, Cap 52.01 would be undertaken to consolidate all previous amendments with a view to simplifying it and improving tax compliance. The process was to be undertaken during the 2005/2006 financial year and on February 6th 2006 the Minister tabled amendments to the Act together with proposals for the amendment of the Value Added Tax Act. The following is a summary of the proposed amendments that the Honourable Minister tabled to Parliament as part of the Budget speech for 2006/2007. The proposed date of effect of these amendments is 1st July 2006.

Income Tax

Corporate taxation

The two tier corporate tax system (comprising 15% basic company tax and 10% additional company tax and withholding taxes on dividends of 15% that are off-settable against the additional company tax) should be replaced with a simpler single company rate that would be coupled with a final withholding tax on dividends. It has been found that the two tier system was complicated as well as cumbersome and would be better replaced with a simpler and more comprehensible system of corporate taxation.

Individual taxation

The current tax-free threshold on individual income is proposed to be increased to partially mitigate the effects of inflation since 2001, when the tax brackets were adjusted for similar objectives. Further to this, the income brackets will be adjusted in such a manner that the maximum rate will become applicable on amounts in excess of Botswana Pula 120'000 per annum from the current level of Pula 100'000. It is anticipated that the revenue loss from this amendment would amount to Pula 100 million.

Withholding taxes

Withholding taxes are to be introduced on interest earned by residents. At present, interest is subject to withholding tax if it was paid to a non-resident and was a final tax. Under this proposal, interest income of residents of at least BWP 1000 per quarter will be subject to withholding tax at the rate of 10% but will not be a final tax, thus allowing these residents to claim credits for the tax deducted. The affected interest will be interest paid by banks and other financial institutions on deposits and interest on Bank of Botswana certificates, bonds and securities. This provision will not however affect interest earned by tax-exempt entities nor will it affect interest received by International Financial Services Center (IFSC) companies, banks and other financial institutions under the supervision of the Bank of Botswana (BOB) or other statutorily established agencies who receive such interest in their ordinary course of business.

Special Purpose Vehicles for the securitization of public assets and privatisation of public entities

In an effort to encourage securitization of public assets and privatization of public entities, income accruing to SPVs formed for the securitization of assets or properties held by the Government will be exempt from tax during the period they hold the assets. Furthermore dividends paid to shareholders of such companies or entities will be exempt from withholding tax.

Taxation of disposal gains

Disposal gains accruing to residents on the sale of shares of foreign companies will be liable to tax in Botswana. However, disposal gains arising from the sale of shares, whether public or private, by investment companies and others for the purpose of earning profits will be taxed as business profits and not disposal gains.

Disposal gains on bonds and debentures issued by the Government, Bank of Botswana, parastatals or special purposes vehicles (SPVs) formed for the securitization of public debt will be exempted from tax together with gains arising from the sale of IFSC company shares.

Disposal of shares in companies whose dominant underlying asset is immovable property will be deemed to be a sale of the property and not the shares and will be taxed accordingly. The amendment aims to protect the Revenue from taxpayers who take advantage of the deductions available to sellers of shares.

Gains arising from the disposal of a principal private residence do not currently attract tax. However, in an effort to further foster the sprit of home ownership, the Minister proposes that the exemption will only apply if the gains are reinvested in residential property within a period of 24 months. However where the amount is not so reinvested, the exemption will be granted only in respect of the first Principal Private Residence owned by the individual.

Self-assessment to be extended to non-corporate taxpayers

Currently, only companies are subject to self-assessment. Self-assessment will now be extended to cover non-corporate taxpayers but only on an optional basis.

IFSC activities

IFSC activities will be expanded to include:

- o Holding and administration of group companies;
- o Business process outsourcing and call centres; and
- o Mutual funds

Exemption from tax of shares traded on the Botswana Stock Exchange

In an effort to encourage the volumes of shares traded on the Botswana Stock Exchange (BSE) it is proposed that the law be amended to exempt from tax on disposal gains only those shares that are actually released and traded on the BSE. However, in cases where listed companies have more than 50% of their equity shares actually traded on the BSE, all their equity shares will be eligible to claim this exemption.

Value Added Tax

List of VAT exempt goods and services revised

The list of VAT goods and services is to be revised to include passenger transportation, donations, grants and condoms. The exemption of passenger transportation will however not extend to the transportation of tourists through bus, air, safari vehicles or boats.

Zero-rated goods and services increased

The VAT Act will be amended to extend the list of zero-rated items to include millet grain, millet meal, wheat grain, flour, sugar and maize cobs provided these are not mixed with other products and are sold as they are. Also to be included in this list will be some pesticides, farming tractors and fertilizers.

Further amendments to the VAT Act

- ❖ The Act will be amended to cater for specific time of supply rules as they relate to the transfer of immovable property;
- ❖ Definition of *input tax* will include the tax fraction of the value of second hand goods acquired in respect of taxable supplies or imports and the transfer duty paid on the acquisition of immovable properties;
- ❖ Clarificatory amendments in respect of goods acquired pre-VAT, deduction of transfer duty as input tax and the stipulation of conditions that make directors of companies liable for payment of outstanding taxes of their companies

Tax Administration Act

The Minister tabled a motion for the formulation of a tax administration bill. The bill is intended to consolidate common provisions under the Income Tax Act, the Value Added Tax Act and the Botswana Unified Revenue Service (BURS) Act so as to rationalize, strengthen and simplify the administrative provisions of the Acts. Finally, the bill is also expected to achieve a balance between taxpayers' and BURS rights so as to ensure optimum service delivery and encourage voluntary compliance.

Operation of amendments pertaining to public trusts, charities, religious and educational institutions and associations for promoting social or sports amenities

The Income Tax (Amendment) Act of 2004 introduced an amendment that set out to tax the income of these institutions that was not utilized for public purposes. Previously, this group was exempted from paying taxes under the Second Schedule of the Act. The salient features of this amendment include:

- ❖ The definition of a company will now include any charitable, religious or educational institution and trusts established for public purposes;
- ❖ Charitable, religious or educational institution and trusts established for public purposes will be taxed only on income from business activities or disposal gains if the income or gains have not been utilized exclusively for public purposes;
- ❖ Surplus income of associations established for the promotion of social or sports amenities will be taxed if it is not utilized for the purpose of such association;
- ❖ Utilization of such funds must be done within that tax year except where an extension is granted.
- ❖ These taxpayers will be required to file income tax returns together with financial statements and evidence showing the application of the funds.

A blanket extension was granted to all affected taxpayers as a result of teething problems that surfaced in the application of this amendment so the first sets of returns for the 2004/2005 tax year are expected by the 31st May 2006.

To highlight the requirements of this legislation to them, BURS ran two workshops in mid April for affected taxpayers. As a result of poor attendance at these workshops the BURS intends to run an awareness campaign by way of pamphlets and other efforts to bring all taxpayers on board with these developments.

CAMEROON

Country Correspondent: Mr Francis Fiekfu

By law no. 2005/0008 of 29 December 2005 on the 2006 Finance Bill and instruction no. 012/MINEFI/DGI/LC/L of 30 January 2006 to specify the methods of application of the fiscal provisions of the 2006 said bill, the policy of modernising Cameroon's tax provisions started some years ago has continued with the reform on the real estate tax on real estate property.

The real estate tax on fixed assets, assessed on the surface area and calculated according to a progressive tariff was instituted eighteen years ago by the 1987/1988 Finance Bill. The 2006 Finance Bill has reformed this tax from the 1 January 2006. The fundamental element of this reform is the modification of the tax base of the real estate tax, which henceforth constituted by the value of the property.

The modifications brought in the 2006 Finance Bill resulted from a number of notices:

About 18 years after its institution, it has been noticed that the tariff of real estate tax which has undergone no modification has become obsolete and the administrative cost of managing the tax is unusually more than the revenue recovered from it.

The growth observed in the housing market and constructions confer a stronger value to this tax. As such, the legislator has opted to increase the tariff of built-on estates and calculate the tax on the value of the estate.

Added to this major reform, the new provisions remain guided by the objective of widening the tax base, the mastery of the informal sector, the safeguarding of fiscal revenue and the reinforcement of taxpayers' rights.

Besides and in conformity with Cameroon's international engagements, the modifications intervening within the framework of the 2006 Finance Bill has harmonised the tax legislation with the procedures of the economic community especially those consecrated by the OHADA and CEMAC.

Finally, some corrective measure aimed at ameliorating the application of the reforms on personal income tax and registration duties also have a place in these modifications.

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

(Section 7-D) – Depreciation rate specific to railway activities

The Finance Bill has introduced in the legislative provisions of Cameroon the rates of depreciation specific to railway activities.

The net taxable profit for enterprises of the railway sector is obtained by deducting the depreciation practice on the rails, wagons, locomotives, rail engines and other materials use within the framework of railway activities as defined in section 7-D of the General Tax Code.

(Section 8) – Suppression of the exemption by half of capital gains resulting from the current transfer of fixed assets

The exemption from company tax applied on half of capital gains realised from the current transfer of fixed assets is suppressed from the date of entry into force of the 2006 Finance Bill.

Henceforth, the entire capital gain realised is included in the taxable base for the assessment of company tax.

(Sections 21, 69 & 91) – Increment of the rate of upfront payment on purchases, instalment payment on personal income tax, and the minimum payment for taxpayers belonging to the basic taxation regime

This rate is fixed at the principal of 1.5% from 1% as from the date of entry into force of the 2006 Finance Bill. To this rate of instalment payment and minimum payment is added the additional Council Tax of 10%; that is a global rate of 1.65% in accordance with the provisions of section 21 of the General Tax Code.

VALUE ADDED TAX AND EXCISE DUTIES

Section 128(6) – Cancellation of certain exemptions of VAT on inputs

Exemptions from VAT up till then applied on potassium nitrate and phosphate, as well as on lead arsenate use for agriculture have been cancelled. As a result, these products are henceforth subject to VAT.

Section 142(1), (3), (5) and (6) – Widening the tax base of excise duties

The 2006 Finance Bill has extended the tax base of excise duties to some imported goods and locally made products. They concern fizzy drinks, natural fruit juices, mineral water, caviar and fatted goose liver, salmon, and private cars with a measuring cylinder that is equal to or more than 2000cm^3.

III – SPECIFIC TAXES

(Provisions relating to the forestry sector)

Dressed and undressed timbers are hence liable to the annual forestry royalty, the felling tax and the factory admission tax while the non-timber, special and medicinal forestry products are liable to the regeneration tax.

CYPRUS

Country Correspondent: Mrs Athina Stephanou

In November 2005 a new law was passed, amending the Assessment and Collection of Taxes Law, the main purpose of which is to combat tax evasion and avoidance. The Law also assists in the simplification of procedures and increase of service to customers with ultimate target the increase in voluntary compliance and strengthening of the economy.

The Law applies to tax year (same as calendar year) 2006 and onwards.

The main changes are as follows:

1. All individuals with income greater than the tax free threshold (C£ 10000) are obliged to submit a tax return. Whereas up to tax year 2005 individuals are obliged to send tax returns only if their taxable income is above the tax free threshold.

2. All individuals with income from trade/profession/ vocation, rents or goodwill, are obliged to send to the Department audited accounts if their gross income e.g. sales is over 40000 pounds. If income is less than 40000 pounds then invoices and receipts according to regulations passed in 1997 have to be issued. Furthermore with the delivery of the return it is necessary to settle the whole amount of tax liability otherwise interest/penalty will arise.

Statistics figures show that the contribution of self employed to tax revenues is very low considering the number of self-employed and type of profession/ vocation. We hope that the passing of the Law will assist in the reduction of evasion within this class of taxpayers.

For tax years up to 2005 individuals with the above type of income are only obliged to issue invoices and receipts according to regulations passed in 1997.

3. All employees are given the option to submit their tax return to their employer without sending a return to the Department of Inland Revenue, in a manner and type specified in regulations that will be issued. The employer will determine the tax liability of the employee in accordance with regulations to be issued. In accordance with Cyprus case law this option cannot be used until the regulations are passed by Parliament. Such an option will simplify procedures.

The employer will not have any responsibility for any omissions or misleading information in the return of the employee except for the income that arises as a result of the relationship between an employer and an employee.

For tax years up to 2005 such an option is not given.

4. The dates of submission of returns have also changed in order to facilitate taxpayers to send their returns in time. Individuals with gross income less than £ 40000 that have to issue invoices and receipts , can send their return by 30 June following the tax year of assessment whereas for tax years up to 2005 tax returns had to be submitted by 30 April following the tax year of assessment. There was no change in the date of submission of returns in case of other taxpayers.

5. The submission of computerized returns or by an electronic method, (taxisnet -internet system), has been included in the Law. The security number given to taxpayers for the submission of returns, through taxisnet, for the purpose of the Law and any civil or criminal procedures will be considered as a substitute of their signature. It has also been included that all documents that the Director allows not to be submitted with the tax return sent by the above methods must be kept for 7 years. Furthermore all documents that directly / indirectly support any amount declared in the return sent by any method specified in the Law must be kept for 7 years.

Up to 2005 the Law referred to a written return on a specified return approved by the Director.

6. The additional tax (penalty) of 10% on the tax due charged in case where the estimated income on the temporary self assessment is more than 25% less than the final income declared/assessed, is charged irrespective of whether a temporary self assessment was sent to the Department or a temporary assessment was issued by the Department.

Up to tax year 2005 the penalty of 10% could only be charged if temporary self assessment was sent to the Department or a temporary assessment was issued by the Department. It is expected that the new provision will encourage submission of temporary assessments and will not discriminate between taxpayers that did not send their temporary assessment based on the efficiency of the Department on whether an assessment is issued or not.

7. Individuals that need to submit accounts have to pay the estimated by them tax for a tax year by the 1 August following the tax year and if the return is submitted after 1 August (with previous and new legislation submission of return must be made by 31 December following the tax year), tax is paid with interest.

For tax years up to 2005 such obligation did not exist. This provision existed and continues to exist for companies.

8. In case where a taxpayer submits his tax return and pays his tax in accordance with the Law and an assessment is issued by the Department more than 3 years after the due date of submission of tax return then the interest of 9 % will not start from the date specified in the Law, (1 July following the tax year for individuals that need to issue invoices and receipts but do not need to prepare audited accounts, 1 August following the tax year for all other), but from the first of the month following the end of the month, following the month the assessment was issued.

The purpose is to improve service to customers by avoiding unjustified delays by the Department.

For tax years up to 2005 the limitation of 3 years did not exist and interest can be charged irrespective of date of issue of assessment.

9. A penalty of £30 is imposed if a tax return or a statement for a specific tax year is not sent in time. Furthermore if a taxpayer:

a) sends the return in time but does not settle the tax or

b) does not send the return and does not settle the tax in time or

c) the Department issues an assessment for the payment of tax (revised /final or first assessment if tax return not accepted)

and in all of the above cases the taxpayer does not conform within 30 days a 5% penalty is charged on the tax due, except in the case where the Department issues an assessment, three years after the return was due, on a return sent in time with the tax per return paid in time.

The purpose is to increase voluntary compliance in both the submission of returns and payment of taxes.

Up to tax year 2005 a 5% penalty on tax due was imposed on the unjustifiable omission by the taxpayer. Unjustifiable omission includes the non submission of return in time. Furthermore unjustifiable omission is considered up to 2002 the non declaration of income where as by circular issued by the Director from tax year 2003 all adjustments made on tax returns are considered unjustifiable omission.

Other Matters

The Department of Inland Revenue has been approved as a CPD (Continuous Professional Development) Employer by the Chartered Association of Certified Accountants. On the 23 March Mr. Craig Vickery of the Association presented the certificate to the Chief Revenue Officer in charge of Studies, Training and Communication Department and the Learning Unit of the Organization. The Director of the Department was abroad for business reasons.

The approval of the Department as CPD Employer points out that the management cares about its staff and about the services offered to citizens.

FIJI ISLANDS

Country Correspondent: Mr David Tansey

Oceania Customs Organisation (OCO) update

The Fiji Islands Revenue and Customs Authority (FIRCA) hosted the 8th Annual Conference of Customs Heads of the Oceania Customs Organisation from the 13th to the 17th of March at the Shangri-La's Fijian Resort. Mr Tevita Banuve, the CEO of FIRCA, chaired the Conference, which was attended by 33 delegates from 18 of the 23 member administrations.

Mr Michel Danet, the Secretary General of the World Customs Organisation (WCO), gave an address which focussed on the impact of globalisation and the importance of balancing the need to collect revenue, facilitate trade and travel and strengthening security through securing the supply chain. Mr Danet also suggested the current WCO global standards regarding trade security and capacity building may provide a guide for customs administrations worldwide to implement modernisation programmes.

On 15th March the OCO headquarters was relocated from Nouméa in New Caledonia to the Fiji capital of Suva, with the new secretariat office being officially opened by Mr Danet. More information on the OCO can be found at www.ocosec.org/

Hotel Turnover Tax

The Minister of Finance & National Planning Ratu Jone Kubuabola had previously announced a 5% accommodation surcharge, "or bed tax", for the hotel industry (as reported in the last news despatch). Subsequent consultations have led instead to the introduction of the Hotel Turnover Tax Act. The act imposes tax at the rate of 3% on the VAT-exclusive price of accommodation, meals and beverages billed to hotel guests. The implementation date was extended to 1 June.

All 2006 Budget tax and customs legislative amendments were passed by Parliament in February, shortly before it was pro-rogued in anticipation of the national election held in the week commencing 6 May.

Taxation of Real Estate

A project team was formed in March to conduct compliance activities in relation to the taxation of property sales. The project was initiated to address risk in the recent boom of subdivision of land for sale as freehold lots, often with aggressive marketing to non-residents by overseas-based agents and via the Internet.

Fiji does not have a broad-based capital gains tax, but taxes profits on the sale of real property and shares. Under the three limbs of s11(a) the Income Tax Act, the following sales are taxed:

- sales in the nature of business activities,
- where the property was purchased with the intention of resale, and
- when the transaction forms part of a profit-making undertaking or scheme.

In the case of the last two limbs, a one-off transaction of a non-business nature is excluded from the operation of the section. Where the Income Tax Act does not apply as above, the Land Sales Act may be invoked by the Commissioner, to tax the profits on the sale of undeveloped land at the rate of 31% after allowing indexation of the cost base at 5% per annum.

The 2006 Budget introduced a reporting system for real estate agents which requires them to report rents collected on behalf of landlords. This coincided with a new act to register and regulate real estate agents.

Monitoring of Foreign Investment

In February an Inter-agency Monitoring Task Force on Foreign Investment was formed by the Fiji Islands Trade & Investment Bureau (FTIB), the authority which licences foreign investors. The Task Force also includes the Fiji Islands Revenue & Customs Authority, the Transnational Crime Unit, the Department of Immigration, the Reserve Bank of Fiji, the Registrar of Companies and the Fiji National Provident Fund.

The Task Force, chaired by the writer, exchanges information, monitors compliance with each participating agency's legislation and makes recommendations to FTIB as to the suspension/ cancellation of foreign investment certificates and/or prosecution of the investor. The Department of Immigration will deport the person if necessary.

The benefit to FIRCA from the Task Force is that tax and customs compliance can be leveraged from the suspension or threatened suspension of the foreign investment certificate. The Task Force has also raided numerous business premises suspected of being fronts for citizenship scams.

Integration of Tax and Customs

A paper titled "Integration of Tax and Customs Administration in Fiji" was presented by the writer at the 7th ATAX Tax Administration Conference in Sydney on 21 April. A copy of the paper in pdf format is available from the FIRCA website at www.frca.org.fj

GHANA

Country Correspondent: Mr Sly Doggu

Tax Amnesty

The 2006 Government Budget Statement contained one-off tax incentives granted by way of amnesty.

(a) Voluntary Information Leading to Recovery of Tax

A general one-off amnesty has been granted on penalties and sanctions for self-disclosure of unreported and/or under-reported corporate and personal income taxes, value added tax, duties, withholding taxes etc. Accordingly, any person who voluntarily discloses to any of the Revenue Agencies (Internal Revenue Service, Customs, Excise and Preventive Service and Value Added Tax Service) information on his/her tax affairs leading to payment of tax arising from tax evasion or avoidance, false and wrong declaration, shall not be prosecuted or penalised under any of the relevant tax laws administered by the Revenue Agencies when the tax is paid.

(b) Capitalisation of Profits

A transfer from the Income Surplus Account or Capital Surplus Account to the Stated Capital attracts tax under the Ghana Income Tax laws.

In the 2006 Budget Statement a dispensation has been granted to Banks, Non-banking Financial Institutions and other companies with respect to such transfers.

(i) Transfer from Income Surplus

Any bank or non-banking financial institution which transfer any amount from its Income Surplus Account to its Stated Capital by way of capitalisation of profits in compliance with the Capitalisation requirements of the Bank of Ghana shall not be liable to pay tax, duties or fees on the transfer.

Similarly any limited liability company which transfers any amount from the Income Surplus Account to its Stated Capital by way of capitalisation of profits shall not be liable to pay tax, duties or fees on the transfer.

(ii) Transfer from Capital Surplus

Any Bank, Non-banking Financial Institution or other limited liability company which revalues its assets to increase its capital base shall not be liable to any tax, duties or fees in respect of revaluation.

Scope of Amnesty

- The amnesty on penalties and sanctions for self-disclosure cover activities up to 31 December 2005
- The amnesty granted is a one-off opportunity valid for a period of six (6) months from 1 January 2006 to 30 June 2006.
- The amnesty does not affect obligation or liability to tax existing or incurred before or after 1 January 2006.
- It does not apply to any information obtained by the efforts of the Revenue Agencies.

Administrative Changes

A substantive Commissioner of Internal Revenue in the person in the person of Maj. (Rtd.) Dan Ablor-Quaicoe to take over from Mrs Janet Opoku-Akyeampong who retired in March 2005.

The appointment takes effect from 8 May 2006.

GUYANA

Country Correspondent: Ms B Hussein

Legislative Changes

Income Tax Amendment

The Income Tax Act Chap. 81:01 was recently amended to reflect the changes to the Income Tax threshold and the rate of income tax. With effect from January 1, 2006, the Income Tax threshold was increased from G$240,000.00 per annum to G$300,000.00 per annum. The amendment also affected the rates of taxation. A single rate of 331/3% replaced the previous rates of 20% on the first G$110,000.00 and 331/3% on the remainder of chargeable income.

Taxpayer Identification Number

The National Assembly recently approved an amendment to the Income Tax Act Chap. 81:01 to include a Taxpayer Identification Number for registering taxpayers. This law seeks to ensure that all taxpayers are assigned a unique Taxpayer Identification Number (TIN). The TIN is intended for proper identification of Taxpayers, to improve the level of compliance and increase the efficiency in processing income tax transactions.

VAT Implementation

Guyana is expected to implement the VAT system of taxation from 1st January 2007. The VAT rate is set at 16% and the threshold for the registration of business entities is G$10 M. VAT will replace eight different tax types which are currently administered by the Guyana Revenue Authority and include the Consumption Tax Act, the Travel Voucher Tax Act, the Hotel Accommodation Tax Act, and the Entertainment Tax. To ensure the successful implementation of VAT in January 2007, an Implementation Unit was established which works with various Divisional Heads to develop this new Business Line/Department to administer VAT and Excise Taxes. The proposed name of the new Business Line/ Department is Value Added and Excise Taxes Administration.

The establishment of this new Business Line will bring the number of Departments which make up the Revenue Authority to three, namely Value Added and Excise Taxes Administration, Internal Revenue and the Customs and Trade Administration. These Departments will be supported by two functional areas, Common Services and Corporate Services. Included in the proposal for the establishment of this new Business Line is the organisation structure, the staff complement, the current and capital budget, the staff plan for recruitment, which will be done in phases, and training of staff.

By mid-2006, preparatory work is expected to begin on the tax roll and on promoting the tax through a public awareness programme to ensure that taxpayers and the public at large are made knowledgeable about this new tax. A special project team will be set up to carry out work relating to the above. Guidance and direction will be provided by the members of the Implementation Unit.

Related News

Institutional Strengthening

The Fiscal and Financial Management Programme, which is funded by an Inter American Development Bank loan and which includes sub-component I 'Tax Policy and Administration'. The main focus of this sub-component is enhancing the Information Technology infrastructure and building the database capacity of the Revenue Authority. Crown Agents of the United Kingdom were contracted to supply the new Information Technology system, to be installed in the Revenue Authority. The new system, Total Revenue Integrated Processing System (TRIPS), brings together all registered VAT, Internal Revenue, Licence Revenue and Customs and Trade taxpayers onto a single database previously stored separately by the individual Departments. Consultants from Crown Agents have been in Guyana since January 2006 and are presently involved in documenting the business processes within the Guyana Revenue Authority before finalizing their Work Plan.

Restructuring of the Customs and Trade Administration was also undertaken with a view to improving its effectiveness and efficiency. The Department is now managed by a Commissioner who is assisted by a Deputy Commissioner, (Customs Operations) and 3 Assistant Commissioners, one each for the respective Divisions, viz Commercial Operations, Wharves and Warehouses and Regional Offices.

Training/Conferences

With a view to maintaining a skilled, knowledgeable and professional work force several staff members of the Authority benefited from training seminars/workshops/ conferences, some of which were funded either wholly or in part by international agencies.

The Caribbean Customs Law Enforcement Council hosted a Senior Command Course for the Caribbean Security Sector in Jamaica. The programme, which lasted for a period of two months was attended by an Investigator attached to the Internal Affairs Division. The course was aimed at improving the quality of leadership in the security sector and to enable the reduction of crime/lawlessness with the view of having a safer environment.

'Mastering Enterprise Networks using Windows 2000' was a Certificate course which was conducted by Tata Info Tech of India. The six-weeks course was attended by Ms. Nita Bridgmongal, Systems Analyst attached to the Information Technology Division. The programme was aimed at educating Information Technology professionals and Network Administrators to manage, monitor, design and maintain their networks through the use of Windows 2000 Professional and Server.

Ms. Ingrid Griffith, Deputy Commissioner, Customs and Trade Administration, is scheduled to attend the Caribbean Customs Law Enforcement Council 28th Conference which is to be held in St. Lucia over the period May 23 to May 25, 2006. The theme of the conference is 'Extension of frontiers to secure and facilitate trade'.

JAMAICA

Country Correspondent: Miss Meris Haughton

Information on the Jamaican Tax Administration (May 2006)

Jamaica Tax Administration adopts a "making it easy to pay" policy

In the past few months the Jamaican Tax Administration has introduced a number of measures in its new "making it easy to pay" policy. In addition to offering taxpayers the option to pay some taxes online via our website or call our toll-free service 1-888-Tax-Help for tax information, the Tax Administration has introduced:

Electronic Drop Boxes - Since ***March 2006*** taxpayers filing returns or making payments by cheques can use Electronic Drop Boxes installed at large Collectorates. Customers will receive an immediate receipt as proof of their transaction, which is the essential new feature to the previous facilities.

Electronic Drop Boxes allow taxpayers to file returns and make cheque payments for all tax types and is available to customers during regular working hours.

The introduction of the Electronic Drop Box facility is part of the Tax Administration's strategic programme to improve customer service and make paying taxes easier for the public. Electronic Drop Boxes will also be installed at Customs locations and other Collectorates in the current 2006/2007 financial year.

Inter-Government Collaboration: Point-of-Sale Service - persons may now directly pay fees for Motor Vehicle Examination and Drivers Licence Examination at the Motor Vehicle Examination Depot using a debit or credit card as a new "non-cash" payment system began operating on ***March 2, 2006***. Persons paying by cash however still have to visit a Collectorate to pay these fees.

The implementation of a cashless payment facility for the collection of fees was introduced by the Tax

Administration Directorate in partnership with the Ministry of Transport and Works through its agency, the Island Traffic Authority. This initiative is part of Tax Administration's programme to improve service and make paying taxes easier for the public and will be extended to the remaining Motor Vehicle Examination Depots located island wide during the 2006 to 2007 Financial Year.

Collection of Tax Arrears – Since ***November 2005*** the administration has been appealing to delinquent taxpayers to come in voluntarily to clear their tax liabilities. Taxpayers have been encouraged to make proposals to pay off their debts, provided that the proposed payment schedule is accompanied by an initial payment. The special project which had a collection target of J$5 Billion, netted J$5.6 Billion. Given the success of the project, this programme will be institutionalised and will continue in the 2006-2007 financial year, with improved management and accountability features.

MALAYSIA

Country Correspondent: Madam Asriah Shaari

E-filing

As one of its modernisation programmes, the Inland Revenue Board Malaysia (IRBM) has implemented the electronic filing (e-filing) system which was launched on 10 February 2006. This system allows taxpayers to fill in their tax returns online and to submit them via the internet.

To e-file, taxpayers must apply for their digital signature slips. For this purpose, Malaysian taxpayers are required to use their identity cards (My Kad) for digital signature whereas non-citizen taxpayers may use the iVESTcard.

Upon submission of the tax returns online successfully, IRBM would display the proof of acceptance. Some of the information that will be displayed includes:

- Taxpayer's Name
- Income Tax file reference number
- Chargeable Income
- Total Tax Charged
- Tax Payable or Tax Repayable
- Name of Person who made the declaration
- Name of file submitted
- Name of person that signs the document
- Name of person that submits the document
- Serial Number

The advantages of the e-filing system are as follows:

- **No more mail loss** – Taxpayers need not go to the IRBM's office or be dependent on the postal service to file their tax returns.
- **Convenient** – Filing of tax returns can be done at one's own premise using the internet facility and this service is available anytime.
- **Tax returns are more accurate** – The e-filing software will check for missing information and performs arithmetical functions.
- **Digital signature** – It results in a complete paperless return.
- **Data security** – IRBM uses the Public Key Infrastructure to ensure transactions through the internet are secured.
- **Less processing time** – IRBM will be able to process returns faster and minimizes incorrect data entry.

The e-filing system is a big step forward in IRBM's modernisation programmes to further enhance its service to taxpayers.

NEW ZEALAND

Country Correspondent: Ms Kate Lukey

Kiwisaver—New Zealand's New Work-based Savings Scheme

It is said that New Zealanders are not great savers, compared with the rest of the world. So in the May 2005 Budget the New Zealand Government announced a new, work-based savings scheme – Kiwisaver – to start from April 2007.

New Zealand's Inland Revenue now has a number of additional key social support responsibilities, and plays a critical role in improving the economic and social wellbeing of all New Zealanders. For example Inland Revenue pays out family assistance income support (a form of tax credit), collects and distributes child support payments from non-custodial to custodial parents, distributes government parental leave payments, and manages student loan repayments.

Inland Revenue was chosen by government to take the lead in implementing and administering KiwiSaver, which focuses on encouraging people to save (primarily for retirement) through the workplace. Inland Revenue will administer KiwiSaver using the existing PAYE (pay as you earn) tax collection system.

Kiwisaver funds will be managed by private providers. A tendering process will select a number of providers, and contributors can later choose their preferred fund.

The KiwiSaver Bill was introduced into Parliament in February 2006 and is currently at the Select Committee stage. The final shape of the legislation will not be known until the Select Committee has considered the Bill and it has been enacted, which is expected to be in October 2006.

Proposed key features of the savings scheme (based on the current Bill) are:

- KiwiSaver is a voluntary, work-based savings scheme for people aged 18 to 65
- From April 2007 employers will be responsible for automatically enrolling all new employees (and any existing employees who choose to join) into KiwiSaver
- Employees automatically enrolled will have six weeks to “opt out”
- Self-employed and beneficiaries can choose to join KiwiSaver, and would be responsible for making their own payments to Inland Revenue
- Members can choose their own KiwiSaver funds manager from the list of private providers selected through tender, and can change between schemes at any time. (There is a default option for people who do not name a choice)
- Employers will deduct employees’ KiwiSaver contributions at either 4% or 8% of salary (chosen by the employee) and forward these to Inland Revenue, along with their PAYE. Inland Revenue will onsend the contributions to the employee’s chosen savings fund provider
- The government will provide a start-up contribution of $1000 per KiwiSaver member, and will contribute towards a member’s fees
- Employers will be able to make contributions on behalf of their KiwiSaver employees if they wish
- Contributions will generally be locked in until savers are aged 65, though there will be provisions for early withdrawal
- After three years of saving, and subject to eligibility criteria, a one-off first home subsidy will be available to savers
- The scheme has built-in flexibility so that after 12 months an employee will be able to apply direct to Inland Revenue for a “contributions holiday” of up to five years

Existing registered superannuation schemes will be able to continue operating independently of KiwiSaver, or convert to a KiwiSaver scheme, or establish a KiwiSaver scheme within their existing scheme under their existing trust deed.

PAKISTAN

Country Correspondent:
Mr Muhammad Riaz

Pakistan – Morocco Tax Treaty:

A three-members Moroccan tax delegation visited Pakistan from 8th to 14th May 2005 to negotiate the Convention for the Avoidance of Double Taxation between Pakistan and the Kingdom of Morocco. The Agreement was initialled on 14 May 2005 at Islamabad. Mr. Salman Nabi, Member (Direct Taxes), Central Board of Revenue initialled on behalf of Pakistan and Mr. Nourddine Bensouda, DG, Taxes initialled on behalf of Kingdom of Morocco.

Pakistan - Bahrain Tax Treaty:

A comprehensive Treaty for Avoidance of Double Taxation between Pakistan and Bahrain was signed on 27th June 2005 at Islamabad. Adviser to the Prime Minister on Finance & Revenue, Dr. Salman Shah signed the Convention on behalf of Pakistan and Sheikh Ahmed Bin Muhammad Al-Khalifa, Minister for Finance of the Kingdom of Bahrain signed on behalf of the Kingdom of Bahrain.

Pakistan – Swiss Tax Treaty:

A revised comprehensive Treaty for Avoidance of Double Taxation between Pakistan and Switzerland was signed on 19th July 2005 at Islamabad. Mr. M. Abdullah Yusuf, Secretary Revenue Division/Chairman, CBR signed the Treaty on behalf of Pakistan and Ambassador of Switzerland to Pakistan Mr. Denis Feldmeyer signed on behalf of the Swiss Confederation.

Pakistan – Austria Tax Treaty:

A revised comprehensive Treaty for Avoidance of Double Taxation between Pakistan and Austria was signed on 4th August 2005 at Islamabad. Mr. M. Abdullah Yusuf, Secretary Revenue Division/Chairman, CBR signed on behalf of Pakistan and Ambassador of Austria to Pakistan Dr. Guenther Gallowitsch signed it on behalf of the Republic of Austria.

Pakistan – Brunei Tax Treaty:

A three-member Brunei Darussalam tax delegation visited Pakistan from 17 – 20 August 2005 to negotiate the Convention for the Avoidance of Double Taxation between Pakistan and Brunei Darussalam. The Agreement was initialled on 20th August 2005 at Islamabad. Mr. Salman Nabi, Member (Direct Taxes), Central Board of Revenue initialled the Agreement on behalf of Pakistan and Mr. Pg Hj Mumin Bin Plw PG Hj Yussof, Director of Special Duties (Revenues) initialled on behalf of Brunei.

Pakistan – Serbia & Montenegro Tax Treaty:

Pakistan and Serbian & Montenegro initialled the Convention for the Avoidance of Double Taxation on 12th April 2006 at Islamabad. Mr. Salman Nabi, Member (Direct Taxes) initialled on behalf of Pakistan and Ms. Anna Begovic, Assistant Economic Minister initialled on behalf of Serbian & Montenegro.

Pakistan – Saudi Arabia Tax Treaty:

A comprehensive Tax Treaty for Avoidance of Double Taxation between Pakistan and Saudi Arabia was signed on 2nd February 2006 at Islamabad on eve of the visit of his majesty the King of Saudi Arabia to Pakistan. Adviser to the Prime Minister on Finance & Revenue, Dr. Salman Shah signed the Convention on behalf of Pakistan and Mr Ibrahim A. Al-Assaf, Minister of Finance, of the Kingdom of Saudi Arabia signed on behalf of the Kingdom of Saudi Arabia.

Pakistan – Zimbabwe Tax Treaty:

A two-member Pakistan tax delegation visited Zimbabwe from 13th to 17th March 2006 to negotiate the Convention for the Avoidance of Double Taxation between Pakistan and Zimbabwe. Both sides have agreed on almost all the articles of the Agreement which is hoped to be initialled during the second round scheduled at Islamabad.

Pakistan – Spain Tax Treaty:

A two-member Pakistan tax delegation visited Spain from 24th to 28th April 2006 to negotiate the Convention for the Avoidance of Double Taxation between Pakistan and Spain. Both sides have agreed on almost all the articles of the Agreement, which is hoped to be initialled during the second round scheduled at Islamabad.

Association of Tax Authorities of Islamic Countries (ATAIC)

Central Board of Revenue, Pakistan will host the Third ATAIC Technical Conference in November 2006 at Islamabad.

UNITED KINGDOM

Country Correspondent: Jas Sahni

HM Revenue and Customs Takes Latest Steps to Cut Red Tape

Research undertaken by the firm KPMG for HM Revenue & Customs (HMRC) shows that the burden of tax administration in the UK, at around 0.41 per cent of GDP, compares very favourably with other countries - the Netherlands and Denmark - that have used the same methodology.

KPMG's research has shown that eighty five obligations relating to dealing with forms and returns impose eighty five per cent of total costs, but that there is a large 'tail' of another 2,607 obligations that, although they only apply to a small number of businesses, collectively can cause irritation and contribute to an impression that the tax system is complex and difficult to understand.

It was announced in the Budget on 22nd March 2006 that, in line with the advice of businesses that sat on the advisory board of KPMG's research, HMRC will tackle both aspects of the burden on business, by;

* Reducing the burden on businesses of dealing with HMRC's forms and returns by at least 10 per cent over five years;
* Reducing the burden of dealing with HMRC's audits and inspections by 10 per cent over three years and at least 15 per cent over five years; and
* Establishing a new Administrative Burden Advisory Board to work with HMRC on dealing with the complexity of the tax system.

HMRC launched its Administrative Burden Measurement Exercise in September 2005 with a target of reporting its findings in March 2006. The aim of the exercise was to measure the administrative burden that HMRC regulations place on business. The exercise was conducted as part of HMRC's ongoing programme to make it quicker and easier for business to comply with their obligations.

Changes to Company Tax Loss Relief Following European Court of Justice (ECJ) Judgment

The UK Government has announced that it will introduce legislation in Finance Bill 2006 to amend the UK loss relief rules. As part of this, measures will be introduced to deny loss relief where there are arrangements which either:

* result in losses becoming unrelievable outside the UK that were otherwise relievable, or
* give rise to unrelievable losses which would not have arisen but for the availability of relief in the UK,

if the main purpose or one of the main purposes of those arrangements is to obtain UK relief.

Group relief allows a company to claim tax relief for the losses (and certain other tax reliefs) of another company if both companies are members of the same group. It seeks to make the tax treatment of groups of companies, carrying on a number of activities through different companies, closer to what it would have been if the activities had been carried on in a single company.

Double Taxation Convention: UK/Japan

A new comprehensive double taxation convention between the UK and Japan was signed in London on 2 February 2006 by Japan's Ambassador to the UK, Mr Yoshiji Nogami, and the UK's Paymaster General, Dawn Primarolo. The new Convention will replace the existing Convention that dates from 10 February 1969 (as amended on 14 February 1980).

The text of the Convention is available on HM Revenue & Customs' website, at http://www.hmrc.gov.uk/international/japan.pdf and will be published in due course as a schedule to a draft Order in Council and laid before the House of Commons for approval. The Convention will enter into force once both countries have completed their constitutional procedures.

Budget 2006—Announced on 22 March

Rates and allowances for Income Tax and National Insurance Contributions are set out below.

£ per year (unless stated)	2005-06	2006-07
Income tax personal and age-related allowances		
Personal allowance (age under 65)	£4,895	£5,035
Personal allowance (age 65-74)	£7,090	£7,280
Personal allowance (age 75 and over)	£7,220	£7,420
Capital gains tax annual exempt amount		
Individuals etc.	£8,500	£8,800
Most trustees	£4,250	£4,400
Inheritance tax threshold	£275,000	£285,000

Corporation tax on profits

£ per year (unless stated)	2005-06	2006-07
Starting rate:	0% £0 – £10,000	N/A*
Marginal relief	£10,001 – £50,000	N/A*
Small companies' rate:	19% £50,001–£300,000	£0-£300,000
Marginal relief	£300,001–£1,500,000	£300,001 - £1,500,000
Main rate: 30%	£1,500,001 or more	£1,500,001 or more
Non-corporate distribution rate	19%	N/A*

*The 2005 Pre- Budget Report announced that the starting rate and non-corporate distribution rate would be replaced with a single banding for small companies set at the existing small companies' rate.

National insurance contributions

£ per week (unless stated)	2005-06	2006-07
Lower earnings limit, primary Class 1	£82	£84
Upper earnings limit, primary Class 1	£630	£645
Primary threshold	£94	£97
Secondary threshold	£94	£97

Employees' primary class 1 rate between primary threshold and upper earnings limit 11% - 11%

Employees' primary class 1 rate above upper earnings limit 1% - 1%

Employers' secondary Class 1 rate above secondary threshold 12.8% - 12.8%

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