

2002, June

Editorial

CHOGM 2002

The Commonwealth of Nations is a voluntary association of governments and people of 54 independent countries around the world. Every two years, the 54 Commonwealth leaders meet in a different Commonwealth country to discuss matters of common interest and to look at ways of promoting progress in the Commonwealth's diverse membership. This summit is called a Commonwealth Heads of Government Meeting or CHOGM. It is arguably the only international forum where such a diverse group of countries with differing levels of capacity and resources come together as equals to find common positions through consensus, in a relatively informal manner. These summits provide fundamental direction for the modern Commonwealth. A Communiqué of mandates and policies is issued at the end of each CHOGM.

Each CHOGM brings together almost one third of the world's leaders, mostly Presidents and Prime Ministers. To encourage frank exchanges and views between them during the summit, every effort is made to promote an informal atmosphere. As part of that approach, the number of advisers is restricted and written speeches are discouraged. CHOGM was scheduled to be held in October of last year but following the events of 11 September, the meeting was postponed. Commonwealth Heads of Government held their rescheduled meeting in Coolumb, Australia from 2-5 March 2002. Of the 51 countries which attended the meeting, 35 were represented by their Heads of State or Government. The meeting was chaired by the Prime Minister of Australia, the Hon John Howard. The Opening Ceremony of the Meeting was addressed by Her Majesty Queen Elizabeth II, Head of the Commonwealth.

On 5 March, at the end of their 2002 summit, Commonwealth Heads of Government issued the Coolumb Declaration, 'The Commonwealth in the 21st Century: Continuity and Renewal', in which they emphasised the need for all nations to work to reduce the growing gap between rich and poor, and to enhance international support to democracies fighting poverty. The meeting also supported the establishment of an expert group to recommend ways in which democracies could best be supported in combating poverty. Heads of Government reiterated in the strongest terms their condemnation of all manifestations of terrorism and pledged to work together in fulfilling their international obligations to deny any safe haven for terrorists.

Heads of Government reaffirmed their commitment to the fundamental political values of the Commonwealth as set out in the Harare Commonwealth Declaration and reinforced by the Millbrook Action Programme. They also reiterated their commitment to international peace and order, democracy, good governance, human rights, freedom of expression and the rule of law. Heads of Government expressed strong support for the good offices role of the Secretary-General in conflict prevention and resolution and recorded their support for the Commonwealth's work in reinforcing democratic processes and institutions in member countries.

Several other important issues were also considered by Heads of Government. These included calling on the international community to embrace global dialogue and co-operation for enhancing development and good governance. They welcomed the initiative aimed at Africa's renewal through fostering closer co-operation and partnership among the industrial countries, Africa and the private sector worldwide, as enunciated in the New Partnership for Africa's Development (NEPAD) and called upon all Commonwealth institutions to assist with the effective implementation of NEPAD. They recognised that all these initiatives provided important opportunities to develop strategies for tackling poverty and building global stability focused in particular on the needs of developing countries.

Heads of Government reaffirmed the right of sovereign nations to determine their own tax and fiscal policies and welcomed the proposed adjustments being made to the OECD Harmful Tax Competition Initiative and hoped that the dialogue, promoted by the Commonwealth, would ensure that the process continued to be inclusive. They reiterated that the standards and timelines for non-OECD jurisdictions should be no more onerous than those for OECD members. They requested the Secretariat to support the affected jurisdictions to mobilise assistance to meet international standards, strengthen and deepen their financial sectors and diversify their economies.

Concerns were also expressed about the consequences of global warming and climate change, especially for vulnerable small island states and other low-lying areas. Heads of Government acknowledged the need for

systemic changes in dealing with small states' concerns and the creation of new delivery and support mechanisms. In that context, they endorsed the New Agenda for the Commonwealth's work on small states, which identified key priorities for the short and medium term. These included notably that the Commonwealth should provide appropriate assistance on trade issues, including working with the international community to strengthen small states representation at the WTO and take action to help mitigate the impact on small states of the events of 11 September and their aftermath. They also stressed that UN Conference on Financing for Development and the World Summit on Sustainable Development was an important platform for promoting issues particularly relevant to small states. They endorsed the call of their Ministers that these meetings should produce outcomes beneficial to small economies.

Heads of Government mandated the Ministerial Group on Small States to develop a framework of action, for consideration at the next CHOGM, on how the Commonwealth could work with partner organisations to develop appropriate responses to the challenges facing small states.

CATA is proud of being part of the Commonwealth spirit and tradition. Members of CATA have over the years demonstrated a spirit of cooperation and togetherness that belies the broad global representation and sharp diversities within the group of countries that constitute its membership. It has also followed the principle of togetherness as equals to find common positions through consensus, continual dialogue and to share best practices in the field of tax policy and administration. A number of new initiatives at various stages of consideration at CATA aimed at enhancing the level of support and services to members, especially the smaller developing countries.

CATA NEWS

MONTREAL

TICKETS FOR 2002 GAMES on SALE

Tickets for the 2002 Commonwealth Games, to be held from 25 July to 4 August in Manchester, United Kingdom, are now on sale and are also available through the Internet, at www.commonwealthgames.com. Some of the world's greatest athletes will be competing in the Games, the biggest so far with more than 5,000 athletes completing.

With half the tickets priced at £10 or less, the Manchester 2002 Games are priced to be affordable. Prices start from £5 for sporting events and from £21 for the opening and closing ceremonies, and there will be no booking fees or postage and handling charges on any tickets. About one million seats will be available for the 174 ticketed sports, of which 750,000 will be available to sports fans in the UK.

Two top British athletes, Denise Lewis and Tanni Grey-Thompson, launched the ticket sale programme at Manchester Velodrome on 1 October. Also present at the launch were football stars Roy Keane of Manchester United and Shaun Goater from Manchester City. Keane said: "It's really good that the people of Manchester will be able to see top class sport at such low prices."

Louise Atkinson, Ticket Service Manager for Manchester 2002 Limited, the organising committee of the event, said that since Monday's launch, several hundred people had already bought tickets, and that the demand was expected to be high.

However, some events will cost nothing to watch, including the marathon in Manchester's city centre, road and mountain biking events at Tivington, the triathlon at the rejuvenated Salford Quays and shooting events at Bisley Park in Surrey.

NEW PUBLICATION

"ELECTRONIC GOVERNANCE AND ELECTRONIC DEMOCRACY"

(Commonwealth Secretariat

Information Technology and

Globalisation Series)

"In today's wired world, the interactive citizen is one of the fundamental cornerstones of change the Internet has put new power into the hands of the citizen. "So says the preface of 'Electronic Governance and Electronic Democracy: Living and Working in the Wired World'.

However, it is argued that governments have not been passive observers of change and they are rising to the new challenges. The new technologies are being used not only to deliver services to the public, but also to enhance government administration and facilitate business.

This book looks at the means by which some governments are moving to electronic governance. In this context, it says, governance can be seen as both a means of using new technologies to deliver services to the citizen, and a way in which to change and improve the efficient methods of administration within governments themselves. The focus of the publication is the electronic delivery of services and "how governments will increasingly be able to involve citizens in the democratic process of government."

The book looks at the ways in which the Internet is enabling citizens to engage in the democratic process to an extent that may alter the face of democracy. The first part deals with mechanisms that different governments are using to develop electronic governance initiatives. There is also a section on privacy, which shows that the massive amount of data collection, sharing and usage by the private sector represents a fundamental threat to the rights of individuals who go online, and it suggests a solution. The final section of the book analyses the state of electronic democracy, where governments stand in these developments, and how online activism is changing the shape of democracy as we have known it.

MALAYSIAN GENERAL TAX ADMINISTRATION COURSE 2001

CATA is pleased to announce that the Malaysian Inland Revenue Board has finalized arrangements to hold the Seventh General Tax Administration Course for middle-level tax officials.

Duration:

It is a six-week programme scheduled from **5 July to 16 August 2001**.

Course Venue and Accommodation:

This residential course will be conducted at the National Tax Academy, Inland Revenue Board of Malaysia.

Accommodation and meals will be provided at the Academy, which is located 35 kilometers (via the north-south expressway) south of the capital city of Kuala Lumpur.

Course Objectives:

The Course is specially designed to enable participants to:

- Study concepts, ideas and techniques of modern management;
- Exchange experiences and gain insights from comparative studies of the Malaysian tax administration with other tax systems;
- Establish working relationships and linkages amongst participating organizations.

Course Content:

The Course is structured as follows:

Module 1: Aspects of modern management

Module 2: Tax administration (with special emphasis on Income Tax)

Module 3: Issues & concerns (reforms; enforcement; taxpayer service; computerization; etc.)

Course Methodology:

The course will be conducted through:

- Lectures

- Group discussions and projects

- Visits and case studies
 - Video and computer presentations

- Panel sessions

Preparation of Country Papers:

Successful applicants will be required to present country papers (5 to 8 pages) on their respective tax systems with special focus on specific problems and issues faced by their respective tax administrations currently. Country papers are to be submitted upon confirmation of participation.

Eligibility:

Applicants should have tertiary education, with at least five (5) years of working experience in their respective organizations. Preference will be given to applicants who have / had management responsibilities. Applicants must have a good command of spoken and written English. The Course will be conducted in English.

Eligible Countries:

The National Tax Academy, Inland Revenue Board of Malaysia, in hosting the General Tax Administration Course 2001, will once again provide a forum for tax officials from the developing countries of Africa, Asia, Central and South America, the Caribbean and the Pacific Islands to meet and exchange perceptions and experiences, with a view to expanding their perspective on issues of common concern and providing them an opportunity to contemplate fresh ideas and formulate new approaches.

Recreation:

The following recreational facilities will be available: Badminton, Gymnasium, Table Tennis, Basketball, Soccer, Tennis, Darts, Squash and Volleyball.

Application Procedures:

Successful applicants will be sponsored by the Malaysian Government under the Malaysian Technical Cooperation Programme. The sponsorship will cover return passage by air, food and lodging, course expenses, insurance and medical facilities.

Applications have to be submitted in Form JPA(L) PBTM 1 and supported by a medical report in the prescribed Form JPA(L) PBTM 3. Application forms are obtainable from the official representative (High Commission / Embassy) of the Malaysian Government. Successful applicants have been informed by the **end of May 2001** and pre-course information will be dispatched soon after.

Applicants must furnish a facsimile (fax) contact number in their application forms to expedite communication.

Inquiries:

Further information regarding the Course and the National Tax Academy may be obtained from:

The Director

National Tax Academy

Persiaran Wawasan

43650 Bandar Baru Bangi - **MALAYSIA**

Telephone: 603-62055611 (Main)

603-62056293 (Direct)

603-62063487 (Direct)

Contact Person:

P Ganesan

Asriah Shaari

Facsimile: 603-62057005/

603-62057299

e-mail: apn@po.jaring.my

COMMONWEALTH TAX INSPECTORS COURSE 2001

CATA is pleased to announce that arrangements have been completed by the UK Inland Revenue to run the Commonwealth Tax Inspectors Course (CTIC) 2002 for middle level tax officials.

Dates:

24 June 2002 to 31 March 2003.

Venues:

Inland Revenue Staff College, Lawress Hall, Lincoln, where accommodation and meals will be provided.

Inland Revenue Training Office, 11 Belgrave Road in London with participants being accommodated in a nearby hotel on a bed and breakfast basis.

Birmingham.

Course Director:

Peter Catchpole

Delivery Methodology and Environment:

The course will be run in three phases that every delegate must complete:

(Delegates will need to have access to the Internet in their home country, especially for Phase I and III of the course)

Phase I Pre-residential course while the delegates are in their home countries. This period is moderated by the Course Director and is shared with potential participants around the world. This phase takes place over a period of 6 weeks.

Phase II Residential part of the programme that takes place in the UK. Delegates stay at the Inland Revenue Staff College at Lincoln and in a hotel in London. This phase takes place over a period of 7 weeks.

Phase III Post-residential part that takes place in the delegates' home countries. This phase is crucial in the application of learning to the workplace. This is delivered through Computer Moderated Conferencing and lasts for a period of 6 months.

Course Content:

The course is designed for middle ranking tax officials who are involved in:

- * Examination of business accounts and/or
- * Dealing with the training of such staff.

The course provides opportunities to:

- * Benefit from the latest training given to UK Tax Inspectors
- * Enhance skills in the field of compliance and so improve the effectiveness of their own compliance organization
- * Improve IT skills
- * Increase knowledge of the principles governing taxation
- * Meet and discuss management and technical issues with senior UK Inland Revenue officials
- * Visit operational tax office.

Eligibility:

The Course is open to middle level tax officials and will be of most benefit to those who are comparatively new to business accounts investigation work or who are involved in the training of new appointees in this field. A working knowledge of English is essential and participants should have experience in the preparation of business accounts.

Course Fee:

The Course Fee of between **£7,000** and **£7,500** will cover tuition costs, accommodation, most meals and reading materials.

Applications:

Applications for places on the Commonwealth Tax Inspectors Course should be forwarded to reach:

Andrew Coombes or Delis Regis

Inland Revenue International

Assistance, Training Office, 11 Belgrave Road, LONDON SW1 1TS

Tel No: +44 (020) 7963 3025

Fax No: +44 (020) 7963 3002

Email: Andrew.Coombes@ir.gsi.gov.uk

Funding:

Nominees are strongly advised to start seeking their funding as soon as possible.

Confirmation of funding must be received by 24 June 2002. Soon after this date candidates will be sent the Computer Moderating Software to start the course on 24 June 2002.

Cut Off:

The closing date for all applications, by which time all funding arrangements should be in place is **31 May 2002.**

Late Application:

This programme is run with a small number of delegates, as it is highly interactive and practical. It is therefore imperative that nominees meet the above deadline. Late cancellation by potential candidates could seriously affect the course and even cause it to be cancelled.

ADVANCING MANAGEMENT POTENTIAL 2002

CATA is pleased to announce that the UK Inland Revenue Training Office have completed all arrangements to run the Advancing Management Potential (AMP) training programme for 2002. It is intended for a maximum of sixteen participants and a minimum of nine.

Dates:

24 June 2002 to 2 August 2002.

Venue:

Inland Revenue Staff College, Lawress Hall, Lincoln where accommodation and meals will be provided.

Inland Revenue Training Office, 11 Belgrave Road in London with participants being accommodated in a nearby hotel on a bed and breakfast basis.

Course Director:

Alan Harley.

Delivery Methodology and Environment:

The course will be run in three phases that every delegate must complete:

(Delegates will need to have access to the Internet in their home country, especially for Phase I and III of the course)

Phase I Pre-residential course while the delegates are in their home countries. This period is moderated by the Course Director and is shared

with potential participants around the world. This phase takes place over a period of 6 weeks.

Phase II Residential part of the programme that takes place in the UK. Delegates stay at the Inland Revenue Staff College at Lincoln and in a hotel in London. This phase takes place over a period of 7 weeks.

Phase III Post-residential part that takes place in the delegates' home countries. This phase is crucial in the application of learning to the workplace. This is delivered through Computer Moderated Conferencing and lasts for a period of 6 months.

Course Content:

The Advancing Management Potential programme is an intensive and demanding course organized and run by the United Kingdom Inland Revenue. The course is now in its sixth year. It is tailored to meet the needs of senior tax officials, especially those involved and interested in organizational, cultural and technical changes. The UK Institute of Management has accredited the course for four of its Diploma level modules.

The course will provide participants with opportunities to develop innovative solutions to problems, and examine some important taxation issues in a highly practical manner, particularly in the field of international tax.

Other opportunities include:

- * Exploring management concepts and techniques with an emphasis on resource management and quality development
- * Widening the knowledge of domestic and international taxation through an exchange of views and ideas
- * Group learning and discussions
- * Meeting managers from other tax organizations around the world
- * Developing ideas and solutions to problems through project work
- * Using latest training and development techniques
- * Meeting and discussing management and technical issues with senior UK Inland Revenue officials
- * Visiting operational tax offices.

Eligibility:

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

Course Fee:

The Course fee of between **£7,000** and **£7,500**, per participant will cover tuition costs, accommodation, most meals and reading materials.

Applications:

Applications should be forwarded to reach:

Andrew Coombes or Delis Regis

Deputy Operations Manager

Inland Revenue International

Assistance

Training Office, 11 Belgrave Road

LONDON SW1 1TS

Tel No: +44 (020) 7963 3025

Fax No: +44 (020) 7963 3002

Email: Andrew.Coombes@ir.gsi.gov.uk

Funding:

Nominees are strongly advised to start seeking their funding as soon as possible.

Confirmation of funding must be received by 24 June 2002. Soon after this date candidates will be sent the Computer Moderating Software to start the course on 24 June 2002.

Cut Off:

The closing date for all applications, by which time all funding arrangements should be in place is **31 May 2001**.

Late Application:

This programme is run with small number of delegates, as it is highly interactive and practical. It is therefore imperative that nominees meet the above deadline. Late cancellation could seriously affect the course and even cause it to be cancelled.

TWENTY THIRD CATA TECHNICAL CONFERENCE

Arrangements are in hand to hold the Twenty Third CATA Annual Technical Conference in Cape Town, South Africa from 28 October to 1 November, 2002.

Members were invited through CATA Circular No. 1 of 2002 to notify nominations of their country delegates to the CATA Secretariat. While a number of nominations have been finalised, countries which have so far not done so, are requested to do so at the earliest.

In continuation of the Conference information notified to members through Circular No 1 of 2002, additional information on progress made is as follows:

- An eleven member Organising Committee has been set up to take care of all aspects of conference arrangements. The Committee is headed by Mr Avhashoni Alton Netshivhungululu

Assistant General Manager, Direct Taxes.

- The opening ceremony is scheduled for Sunday 27 October 2002 at a hotel called The Village at Spier, Stellenbosch, Cape Town.

- Conference delegates will receive baggage tags to facilitate their arrival formalities at the airport. Medical support will be available for emergencies only.
- Delegates are advised to check their Visa requirements for travel to South Africa well in advance either through their travel agency or the South African Commissions in their respective countries. It is also important to have Visa clearance prior to travel to avoid journey continuation problems at airline transfer desks at airports en-route to your final destination. In some cases Visas may be required for transit or transfer points during the journey.

COMMONWEALTH MANAGEMENT DEVELOPMENT PROGRAMME 2002

CATA is pleased to announce that the Commonwealth Management Development Programme for tax administrators for 2002 will be held at the Institute of Tax Administration, Dar es Salaam, Tanzania.

Dates:

2 September to 11 October 2002.

Venue:

It is a residential Course and will be held at the Institute's training premises. Trainees will be accommodated in the residential hostels within the Institute.

Resource Persons:

Resource persons for this Course will be drawn from the tax administrations of Australia and New Zealand.

Eligibility:

The Course is open to senior tax officials from the Commonwealth countries. Candidates should have experience in handling management responsibilities. A working knowledge of English is essential.

Course Objectives:

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.

Course Contents:

Subjects covered by the course include: management development and organizational development in the year 2002; understanding difference and learning about others; interpersonal skills; team skills and processes; leadership; performance management; systems thinking; continuous improvement; business planning; presentation skills; the Commonwealth perspective; tax administration module; best practice design for tax administration sub-systems; risk management; strategic planning; acting planning; putting it all together; tax compliance administration; audit case selection; risk based auditing; planning investigations/large company investigations; cost benefit analysis; value added taxes; introduction to methods of income determination; management of disputes; evasion/avoidance; underground economy/money laundering; fraudulent transactions; evidential requirements/investigator in court; trading stock/long term construction contracts; issues relating to multinational corporates/expatriate employees.

CFTC Awards:

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), formerly known as MTSD, for candidates from the African, Asian, Caribbean and Mediterranean regions. These awards will cover the Course Fee including:

* Training fees

* Accommodation for the duration of the Course

* Cost of meals for the duration of the Course.

The cost of the participant's air travel (to and from Dar es Salaam) will have to be met by the nominating government.

Form MTS/1 which can be obtained from your local Point of Contact for COMSEC duly completed should be forwarded through the local Point of Contact to reach GIDD **no later than 19 July 2002.**

Please note that any application not forwarded through or endorsed by GIDD's designated Point of contact (POC) in your country will not be considered at all for funding by GIDD. Please also note that once GIDD have approved funding for a particular person, it cannot be transferred to any other person nominated by a country in place of the original nominee after GIDD's approval has been made. An advance photocopy of the application may also be forwarded directly to:

Mr M Jasimuddin

Senior Programme Officer

Governance and Institution Development Division

Commonwealth Secretariat

Marlborough House, Pall Mall

LONDON SW1Y 5HX

Tel No: (44) 20 7747 6343

Fax No: (44) 20 7747 6335/20 7930 0827

Telex No: 27678

In order to facilitate follow-up action, the nominating authority is strongly advised to send the form (or a copy of Form MTS/1) duly completed to reach the CATA Office by **19 July 2002.**

Mr J N O K Mziray, Training Officer will be the Course Director or CMDP 2001. For any details, he may be contacted at the following address:

Mr J N O K Mziray

Training Officer

Tanzania Revenue Authority

Dar es Salaam

Tel No: (255) 22 2119591/4

Fax No: (255) 22 2119595/2124466

WORKSHOP on TAXATION OF INTERNATIONAL TRANSACTIONS 2002

CATA is pleased to announce that the Malaysian Inland Revenue Board has finalized arrangements to hold the Workshop on Taxation of International Transactions for senior and middle level tax officials for 2002.

Duration:

It will be a three-week programme from 30 September to 18 October 2002.

Venue & Accommodation:

The Workshop will be held at :

The National Tax Academy

Inland Revenue Board

Bandar Baru Bangi

Selangor – MALAYSIA

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

Course Objectives:

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

Workshop Contents:

- (a) Review basic concepts such as source of income and residence status of individuals and enterprises
- (b) Focus on the provisions of the OECD Model Tax Convention on income and on capital and the United Nations Model Double Taxation Convention between developed and developing countries.
- (c) Highlight practical case studies (this will be throughout the Workshop)
- (d) International tax audits aimed at countering tax avoidance and the abuse of tax treaties and transfer pricing issues in relation to the operations of multinationals corporations.

Eligibility:

Participants should be:

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

(b) Tax Inspectors responsible for, or engaged in, the audit of multinational enterprises and of other taxpayers involved in international transactions. Applicants must have a good command of spoken and written English.

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

Financial Assistance:

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

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

Application Procedure:

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

The closing date for the applications is **31 July 2002**. Successful candidates will be informed by early September by the National Tax Academy.

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

Further information may be obtained from:

Mr P Ganesan

Deputy Director

National Tax Academy

Inland Revenue Board

Persiaran Wawasan

43650 Bandar Baru Bangi

MALAYSIA

Tel No: 603 8925 5611/603 8925 6293

Fax No:603 8925 7005/603 8925 7299

E-mail: apn@po.jaring.my

pganesan@hasilnet.org.my

OTHER NEWS

COMMONWEALTH SECRETARY-GENERAL TO VISIT GHANA

The Commonwealth Secretary-General, Don McKinnon, will visit Ghana from 9-11 May 2002. During his visit, the Secretary-General will hold discussions with the President of Ghana, HE Mr John Agyekum Kufuor, and members of the Government.

Mr McKinnon will call on the Asantehene (King of Ashanti), Otumfuo Osei Tutu II, in Kumasi. He will also meet the Speaker of Parliament and leading parliamentarians, including the minority leader, as well as representatives of civil society. The Secretary-general will also visit the University of Ghana, Leon, where he will speak to students about the Commonwealth.

COMMONWEALTH TO OBSERVE GENERAL ELECTION IN LESOTHO

The Commonwealth Secretary-General, Don McKinnon, announced today that he is sending a Commonwealth Observer Group to the General Election in Lesotho, which will take place on 25 May 2002. The Group will be led by the Former Prime Minister of St Vincent and the Grenadines, Sir James Mitchell.

The Commonwealth Observer Group will have eleven members and was established in response to an invitation from the Government of Lesotho, and with the support of the Independent Electoral Commission and political parties in Lesotho. The Group consists of six eminent Commonwealth citizens, supported by five Commonwealth Secretariat staff. The Observers are:

Sir James Mitchell – Former Prime Minister of St Vincent and the Grenadines

Mrs Marie-Claude Arouff-Parfait – Former Member of Parliament, Mauritius

Dr David McGibbon – Former Senator, Australia

Professor Akinjide Osuntokun – Former Diplomat; Currently Professor International Relations, University of Lagos, Nigeria

Mr Joram Rukambe – Director of Elections, Namibia

Mr Mike Terry OBE – Former Executive Secretary, British Anti-Apartheid Movement, United Kingdom

The Staff Support Team will be led by Ms Dianne Stafford, Director of the Legal and Constitutional Affairs Division of the Commonwealth Secretariat.

COMMONWEALTH SECRETARY-GENERAL CALLS FOR IMMEDIATE ACTION TO AVERT FAMINE IN SOUTHERN AFRICA

Commonwealth Secretary-General, Don McKinnon today urged the international community to take immediate action to save millions of people from starvation in Southern Africa. "Nearly four million lives are at risk. It is our collective responsibility to act now and help avert a huge crisis," said Mr McKinnon.

"I appeal to all Commonwealth countries and to the international community as a whole to show solidarity and increase food aid and other humanitarian relief to the Southern African region." Severe food shortages are occurring in several Commonwealth countries, including Lesotho, Malawi, Mozambique, Namibia, Swaziland, Zambia and Zimbabwe. Years of erratic rainfall and poor harvests are among the factors responsible for the current crisis.

COMMONWEALTH MINISTERIAL ACTION GROUP TO MEET IN BOTSWANA, 16-17 MAY 2002

The Commonwealth Ministerial Action Group on the Harare Declaration (CMAG) will meet in Kasane, Botswana, on Thursday, 16 May and Friday, 17 May 2002. The meeting will be hosted by the Hon Lt Gen Mompoti Merafhe, Foreign Minister of Botswana.

The Group was reconstituted at the last Commonwealth Heads of Government Meeting (CHOGM) in Coolumberr, Australia, in March this year and comprises Ministers from Australia, The Bahamas, Bangladesh, Botswana, India, Malta, Nigeria and Samoa. It is convened by the Commonwealth Secretary-General, Don McKinnon.

The Group's mandate from Heads of Government is to address serious or persistent violations of the Harare principles on democracy, good governance, human rights and the rule of law.

COMMONWEALTH SECRETARY-GENERAL SLAMS US FARM BILL

"The recently announced US Farm Bill makes a farce of the commitments for trade liberalisation reached in Doha and undermines the prospects of developing countries trading their way out of poverty," said the Commonwealth Secretary General, Don McKinnon today. "How can poor countries believe in the benefits of globalisation when they see the rich countries bending the rules in their own favour?" he added.

The Secretary-General pointed out that the World Trade Organisation meeting in Doha last November offered the prospect of a strong development dimension in the current round of trade negotiations. New aid commitments made at the international Conference on Financing for Development in Monterrey and talk of lowering trade barriers in such crucial areas as textiles and agriculture also sent positive signals that things were about to change. Mr McKinnon said that by raising the level of federal subsidies by 80%, the US will send a very negative message to developing countries. "As President Bush himself said in Monterrey: 'Developing nations need greater access to markets of wealthy nations.' The US Farm Bill contradicts this statement and threatens to negate the progress made over the last few months. Preaching trade liberalisation to others while practising protectionism for yourself is not only pure hypocrisy; it smacks of indifference to the poorest people on the planet."

The Secretary-General added: "Raising trade subsidies undermines poor countries' confidence in international trade, and, ultimately, threatens world stability. As the only economic and military superpower today, the United States should provide positive leadership on these issues. If we want a more secure world, we must help create a more inclusive international trading system."

FRANCOPHONE COUNTRIES TO BENEFIT FROM COMMONWEALTH DEBT MANAGEMENT SYSTEM

The unique Commonwealth software used by more than 50 countries to manage their national debt will shortly expand into Francophone countries. The French version of the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS 2000+) was launched today by Commonwealth Secretary-General, Don McKinnon and Boutros Boutros-Ghali, Secretary-General of the Organisation internationale de la Francophonie, at Marlborough House in London.

The Commonwealth and La Francophonie, which is funding the translation, will work together to implement the French version of the software in Francophone developing countries. The system aims to improve economic performance by helping countries and organisations to record and manage debt. First developed by the Commonwealth Secretariat in 1985, it is already in use in 43 Commonwealth countries.

Before the launch, Mr McKinnon and Dr Boutros-Ghali met to discuss existing and potential new areas of collaboration between the two organisations. They reviewed current activities in the area of trade, such as a joint bid for EU funding to provide technical assistance in trade to African, Caribbean and Pacific countries. They also exchanged views on how best the Commonwealth and La Francophonie can support the New Partnership for Africa's Development (NEPAD).

The Secretaries-General agreed to explore closer collaboration on the promotion of democratic values and practices. They also agreed to look at ways in which the organisations could work together on education and youth employment programmes.

NINETEENTH MEETING OF THE COMMONWEALTH MINISTERIAL ACTION GROUP on THE HARARE DECLARATION (CMAG)

Kasane, Botswana, 16-17 2002

CONCLUDING STATEMENT

The Commonwealth Ministerial Action Group on the Harare Declaration (CMAG) met in Kasane, Botswana, on 16-17 May 2002. This was the Group's first meeting following its reconstitution by Commonwealth Heads of Government at Coolum in March 2002, and the nineteenth meeting since CMAG's creation at the Auckland Commonwealth Heads of Government Meeting (CHOGM) in November 1995. It was attended by the Hon Chris Gallus, MP, Parliamentary Secretary to the Minister of Foreign Affairs of Australia, the Hon M Morshed Khan, MP, Minister of Foreign Affairs of Bangladesh, the Hon Lt General Mompoti S Merafhe, MP, Minister of Foreign Affairs of Botswana, the Hon Digvijay Singh, Minister of State for Railways of India, the Hon Joseph Borg, Minister of Foreign Affairs of Malta, Mr Olusegun Akinsanya, Director, International Organisations, Ministry of Foreign Affairs, Nigeria, and Ms Marilyn T Zonicle, Deputy High Commissioner of The Bahamas in London.

CMAG adopted its Agenda and unanimously re-elected as Chairman the Hon Lt-General Mompoti S Merafhe, MP, Minister of Foreign Affairs of Botswana, and elected the Hon Alexander Downer, MP, Minister of Foreign Affairs of Australia, as Vice-Chairman.

The Group expressed its appreciation to the Hon Lt-General Mompoti S Merafhe and to the Government and people of Botswana for their kind hospitality and the excellent arrangements made for the meeting.

CMAG Mandate

CMAG welcomed the expanded mandate of the Group adopted by Heads of Government at their meeting in Coolum in March 2002, and agreed that the new measures would be factored into the Group's operations.

Fiji Islands

The Group reviewed the situation in Fiji Islands, in particular the current status of the Court of Appeal case on the constitutionality of Fiji's Government. It agreed to keep Fiji on its Agenda and continue to monitor the situation in Fiji Islands until after the ongoing judicial processes are resolved. The Group welcomed the role of the Secretary-General's Special Envoy and requested the Secretary General to remain engaged.

Pakistan

The Group received a report from the Secretary-General on recent developments in Pakistan. It agreed that CMAG should continue to monitor developments pertaining to the restoration of democracy in Pakistan, taking note that the 30 April 2002 referendum on the extension of General Pervez Musharraf's term as President constituted a deviation from the roadmap to democracy which he had announced last August. CMAG expressed concern that certain conditions relating to the conduct of the referendum were not in keeping with Commonwealth best electoral practice. The Group expressed the view that in order to achieve transparent, free and fair elections for the National and Provincial Assemblies in October, Pakistan should embrace such Commonwealth best practice, foster an inclusive political climate, and create a level playing field for all concerned.

The Group agreed that Pakistan should remain suspended from the Councils of the Commonwealth pending the restoration of a democratic government. CMAG welcomed the Secretary-General's ongoing close engagement in monitoring events relating to the restoration of democracy, and requested the Secretary-General to remain appropriately engaged. The Group also welcomed the prospect of a Commonwealth Observer Group being constituted for the Provincial and National Assemblies elections, and looked forward to seeing the Report of that Group.

Solomon Islands

The Group reviewed the situation in Solomon Islands, and decided to keep Solomon Islands on its agenda. It expressed its appreciation to Australia and New Zealand for their efforts to assist Solomon Islands. The Group requested the Secretary-General to continue monitoring the situation in Solomon Islands, and to remain engaged in providing technical assistance to strengthen democratic processes and institutions, and to promote economic development in the country.

Zimbabwe

The Group received a report from the Secretary-General on recent developments in Zimbabwe. It also took note of the Coolum CHOGM's Statement on Zimbabwe and the action taken by the CHOGM Chairpersons' Committee on Zimbabwe on 19 March 2002 to suspend Zimbabwe from the Councils of the Commonwealth for one year. CMAG welcomed the ongoing efforts of President Olusegun Obasanjo of Nigeria and President Thabo Mbeki of South Africa, amongst other initiatives, to achieve reconciliation and economic recovery in Zimbabwe. CMAG decided it would keep Zimbabwe on its agenda but would take no further action given the decision of the CHOGM Chairpersons' Committee to remain seized of the issue.

Sierra Leone

At CMAG's request, the Secretary-General briefed the Group on the Presidential and Parliamentary elections held in Sierra Leone on 14 May 2002. The Group welcomed the peaceful conduct of these elections.

Human Rights Investigative Body for the Commonwealth in regard to a proposal before CMAG to create a Commonwealth Commission on Human Rights, the Group decided that in the light of the recent creation within the Commonwealth Secretariat of a dedicated Human Rights Unit and the existence of other international Human Rights Organisations, the proposal should not proceed.

Next Meeting

The Group decided that they would meet at Marlborough House in London in October 2002.

NEW COMMISSIONER GENERAL OF THE ZAMBIA REVENUE AUTHORITY

His Excellence, Mr Levy Mwanawasa, the President of the Republic of Zambia, has appointed Mr Berlin Msiska as Commissioner General of the Zambia Revenue Authority. Mr Msiska takes over from Mr Kevin Donovan who takes up the position of Advisor to the Commissioner General. The appointment of Mr Msiska completed the Zambianisation of Senior Management of the Zambia Revenue Authority, and is in line with the Presidential directive for increased participation by Zambians in running of Statutory Bodies. The Zambianisation of the Zambia Revenue Authority has been progressing since the establishment of the Authority in 1994, when all key management positions were held by expatriates. Since then, all Senior Management positions save for that of Commissioner General have been Zambianised. Prior to his appointment, Mr Msiska has been serving as Commissioner of the Direct Taxes Division in the Zambia Revenue Authority.

NEW CHIEF COMMISSIONER OF INCOME TAX FOR DELHI

Mr Shri A N Prasad has been promoted as Chief Commissioner of Income Tax, Delhi with effect from 1 January 2002. He previously held the position of Joint Secretary (TPL-I), Central Board of Direct Taxes and Chairman of CATA. Shri A J Majumdar has joined as Joint Secretary in the CBDT.

The President thanked Mr Donovan for his dedication and contribution to the development of the Authority during his tenure, which has seen the Zambia Revenue Authority achieve significant performance milestones and establish itself as one of the best regarded revenue collection agencies on the continent.

NEW CHAIRMAN OF THE CENTRAL BOARD OF DIRECT TAXES (CBDT)

Shri P K Sarma has joined as Chairman of the Central Board of Direct Taxes (CBDT), the apex body looking after the work of Direct Taxes in India, in place of Shri O P Srivastava, who retired on 31 December 2001.

APPOINTMENT OF COUNTRY CORRESPONDENTS

United Kingdom

Chris Green replaced Ann Marsh as Country Correspondent.

NEWS FROM MEMBERS

CANADA

Country Correspondent:

Mr Daniel Perrier

Revenue Minister Caplan Announces Appointment to the Canada Customs and Revenue Agency Board of Management

Ottawa, May 3, 2002... Elinor Caplan, Minister of National Revenue, today announced the appointment of Mr Frédéric Kieffer to the Canada Customs and Revenue Agency Board of Management. Mr Kieffer, 31, a businessman from Saint-Lazare, Quebec, was nominated by the Province of Quebec and appointed to a one-year term.

The Board of Management is part of a unique governance structure which differs from that of other government departments, Crown corporations, and agencies. While the Minister of National Revenue retains full accountability to Parliament and Canadian citizens for all CCRA activities, the Board of Management is responsible for overseeing the organisation and administration of the Agency and the management of its resources, services, property, personnel and contracts.

"The Board of Management is a vital part of the Agency," said Minister Caplan. "It brings the best of private sector practices to the CCRA. This has been particularly beneficial in shaping our human resources, administrative, and planning policies."

The Board comprises 15 members, 11 of whom are nominated by the provinces and territories and appointed by Governor in Council.

Government of Canada granted a stay of the Federal Court – Trial Division judgment in the Benoit case, pending appeal

Ottawa, May 3, 2002... The Canada Customs and Revenue Agency (CCRA) announced that the Federal Court of Appeal has granted a stay of the decision of the Federal Court – Trial Division in the case of *Benoit v. The Queen*.

The stay will permit the CCRA to continue to apply its programs, policies, and procedures in the usual manner. It will also minimise uncertainty for individuals, employers, and merchants while the case is under appeal.

The court order, granted by Mr Justice Barry Strayer on April 26 2002, suspends the effect of the trial decision handed down by Mr Justice Douglas Campbell on March 7 2002. Justice Campbell had ruled in favour of the plaintiffs in finding a tax exemption based on Indian Treaty No. 8.

The CCRA is maintaining a "business as usual" approach for Treaty 8 beneficiaries with respect to the administration of tax laws that fall within its area of responsibility. Income tax deductions at source, and goods and services tax/harmonised sales tax (GST/HST) on importations and off-reserve purchases should continue to be paid as before. The CCRA will continue to administer the existing tax exemption provided under the *Indian Act* for status Indian income earned on reserves, and for goods purchased on or delivered to reserves.

Canada Customs and Revenue Agency interest rates for the third calendar quarter

Ottawa, June 4 2002... The Canada Customs and Revenue Agency (CCRA) today announced the prescribed interest rates that will apply to amounts owed to the CCRA, and to amounts the CCRA owes to individuals and corporations. These rates are calculated quarterly in accordance with applicable legislation and will be in effect from July 1 2002 to September 20 2002.

Income tax

- The interest rates charged on overdue taxes, Canada Pension Plan contributions, and Employment Insurance Premiums will be 7%.
- The interest rate paid on overpayments will be 5%.

- The interest rate used to calculate taxable benefits for employees and shareholders from interest-free and low-interest loans will be 3%.

Other taxes

The interest rate on overdue and overpaid remittances for the following taxes will be:

- Goods and services tax 2.3804%
- Harmonized sales tax 2.3804%
- Federal sales tax 2.3804%
- Air transportation tax 2.3804%
- Excise tax 2.3804%
- Excise duty 5%

KENYA

Country Correspondent:

Ms Alice A Owuor

A REVENUE PERFORMANCE

Kenya Revenue Authority (KRA) collected Kshs. 133.8 billion for the nine months to March 2002 against a target of Kshs. 141.5 billion being a 95% achievement level. Performance of the four revenue departments for the period was:

- Road Transport Department -100%
- Income Tax Department - 98%
- Customs & Excise Department - 93%
- VAT Department - 92%

Total revenue collection experienced a 0.6% marginal decline over the previous period. Apart from Road Transport Department which achieved its target, the other departments performance has been affected by difficult local economic environmental and external factors such as:-

- a) Cheap imports from Common Market for East and Southern Africa (**COMESA**) which are duty-free and which increased by about 50% in the first half of 2001/2002, thus resulting in foregone revenue.
- b) Commodity prices fell in International Markets with Tea falling by 32% in 2001.
- c) War on terrorism aggravated global recession and lowered imports to Kenya by about 30% while tourism declined by about 45%.
- d) Currency movements in South Africa and Egypt which devalued their currencies by 45% and 18% respectively affected imports and exports, further reducing tax revenue.
- e) An Act of parliament introduced to control interest rates affected the general performance of the economy as commercial banks reduced overall lending to productive sectors.

Despite hard economic times, the economy grew from a negative 0.3 to a projected growth of 1%.

B SENIOR STAFF CHANGES/

MOVEMENTS

In the month of April, KRA effected several staff changes involving Senior Officers as follows:-

1 The Registrar of Motor Vehicles Mr Simeon Kirgortty was promoted to the level of Commissioner and continues to be in charge of that department.

2 Mr Mumo Matemu joined KRA as Commissioner of Customs & Excise Department replacing Mr Samuel Chebii. He was formerly the corporation secretary of Agricultural Finance Co-operation also a parastatal.

3 Mr Francis Thurania has been promoted to Senior Deputy Commissioner of Customs & Excise in charge of Northern Region.

4 Mr Joshua Korir who was the Financial Controller has been re-designated as Senior Deputy Commissioner in charge of Customs & Excise Southern Region.

5 Mr George Karmanga who was the deputy Financial Controller is now the acting Financial Controller.

6 Ms Beatrice Memo who has been a Senior Assistant Commissioner of Customs & Excise in charge of the Western Region has been moved to Southern Region as an acting Deputy Commissioner.

7 Mr Timona Wanjala Namutila is now acting Deputy Commissioner of Customs & Excise in charge of Western Region.

C MEETINGS/SEMINARS

There have been several meetings within the quarter including the following:-

1 The 18th East African Revenue Authorities' Technical Committee (EARATC) meeting which took place at the Norfolk Hotel in Nairobi, Kenya from 20th to 22nd February 2002. Apart from Kenya, Tanzania, Uganda and Rwanda Revenue Authorities were in attendance.

The issues discussed among others centered on:-

- Widening of the tax base
- Training
- The informal sector
- Transit goods
- Dumping
- Challenges to tax administration.

2 The EARATC sub-committee meeting on the Informal Sector from 6th - 8th March 2002 in Arusha, Tanzania.

3 The EARATC sub-committee meeting on Training in Dar-Es-Salaam, Tanzania from 6th - 8th March 2002.

4 The EARATC sub-committee meeting on Quality Assurance in Kigali Rwanda from 13th - 15th March 2002.

5 The EARATC meeting from 20th – 22nd March 2002, in Kigali, Rwanda.

6 Commissioner's General meeting in Uganda on the 19th April 2002 which was attended by Kenya, Rwanda, Burundi, Tanzania and Uganda's Commissioners General.

7 The Northern Corridor meeting from 17th – 18th April in Kampala, Uganda.

8 The Annual World Customs Organisation (WCO) regional conference for Eastern and Southern Africa in Mombasa, Kenya from 6th – 9th May 2002.

D TRAINING/WORKSHOPS

1 We conducted a series of in-house trainings on Performance Management in the month of March 2002. The target group was middle-level officers.

2 Three of our Human Resource Managers attended a ***Performance Management In The Public Sector*** training in Johannesburg, South Africa from 25th – 27th March 2002.

GHANA

Country Correspondent:

Sefah Agyebeng

The Income Tax Decree (SMCD5), the Capital Gains Tax Decree (NRCD 347) and the Gift Tax Decree (NRCD 348) which have been in existence since 1975 have been repealed and replaced with the Internal Revenue Act, 2000 (Act 592) with effect from 1st January, 2001.

The Act is essentially a consolidating enactment designed to bring together three of the laws relating to Direct Taxation, specifically the laws relating to Income Tax, Capital Gains Tax and Gift Tax.

It is intended to achieve the following:

- a. to facilitate common administration provisions enabling the existence of unified record keeping requirements, objection and appeal procedures, penalties and the rules relating to the service of notices.
- b. To facilitate reference to law on most tax transactions
- c. To bring the law in line with contemporary practice.

In line with the modernisation, the Act has incorporated policy changes in the areas of self assessment, provisional assessment, employee tax withholding, taxation of foreign income of residents, treatment of foreign exchange gains and losses, measures to deal with some new scheme of tax avoidance and capital allowances.

Structure and Organisation of the Act

The Act is divided into four chapters. In line with the consolidation, the tax law relating to each tax type is contained in a separate chapter with a final chapter containing administrative provisions common to the proceeding chapters.

1. INCOME TAX

The first chapter which deals with the provisions relating to income tax provides detailed and precise rules than the previous law. New rules have been introduced to cater for situations not directly covered by the previous law. The principal policy changes with regard to income tax are outlined below.

a. Self Assessment

The Act has introduced self- assessment and the Commissioner is authorised to specify persons eligible to use it. The Act requires each self-assessment taxpayer to file a notice of the estimated tax for the year

at the beginning of his accounting year and pay the tax in four quarterly instalments. The taxpayer is also required to file an annual return and remit any balance of tax outstanding when all four quarterly instalments have been credited. A system of bonding rules is provided for.

b. **Assessment of Employees**

One major innovation in the Act is the authority granted to employees to finalise assessments on behalf of their employees.

Regulations soon to be made by the Minister responsible for Finance would allow the granting up front the marriage/children's, disabled persons, old age and children's education reliefs to induce compliance with the tax laws by individuals as well as simplify employees taxation.

c. **Foreign Exchange Gains and Losses**

These are now specifically provided for. Gains and Losses are both to be determined on realisation basis. A reporting rule has therefore been included to prevent selective reporting of foreign exchange gains and losses.

d. **Anti-avoidance provisions**

The provision in the previous law appeared vague and this made interpretation quite difficult. The Act specifically provides for Income Splitting, Transfer Pricing and Thin Capitalisation which are the principal methods by which taxes are avoided or shifted to other tax jurisdictions.

e. **Taxation of Body of Persons**

The previous law did not define 'body of persons', thus making it difficult to collect tax from this entity.

The Act defines the term comprehensively and describes in detail the taxation of the body and its beneficiaries. It treats a body of persons as an entity taxable at 32.5%.

The income distributed to the beneficiaries may either be deducted before taxation of the body. Where the body's income is taxed before distribution, the full 32.5% tax is given as credit to the beneficiaries.

f. **Worldwide Taxation/Residence**

The Act provides for the easy adoption of worldwide taxation in the future by the introduction of a comprehensive set of residence rules.

It defines a citizen of Ghana as a resident unless he has a permanent home abroad in the whole year. This would make it difficult for most Ghanaians to avoid payment of tax on the income and properties they repatriate.

g. **Permanent Establishment**

This was not provided for in the previous law. The Act defines the concept comprehensively and uses it;

- i. to distinguish between trading in or with Ghana
- ii. to distinguish between business and investment incomes

Thus, interest, rent etc. attributable to a Permanent Establishment is a business income, otherwise it is investment income. The act also provides for the rules that will ensure the transparency of transactions involving Permanent Establishments and their associated taxpayers.

h. **Capital Allowances**

Depreciable assets have been put into six classes. Assets in classes 1-4 which are business assets of relatively short useful life span are placed into separate pools and depreciated with the Reducing Balance Method. Classes 5 and 6 which are real property and intellectual/industrial property follow the Straight Line Method of depreciation.

i. **Practice Notes and Private Rulings**

The Commissioner is now empowered to issue his interpretation of the Act to achieve consistency in the Tax Administration as well as provide guidance to taxpayers.

He is further empowered to issue Private Ruling setting out his position with respect to a transaction proposed or entered into by a person.

j. **Revisions of Tax Rates**

Under the Act, Corporate Tax Rates have been reduced from 35% to 30% for companies listed in the Ghana Stock Exchange and 32.5% for unlisted companies.

The income tax rate applicable to a non-resident individual is 20%.

2. CAPITAL GAINS

In line with the trend toward self-assessment, the chapter on capital gains requires taxpayers to report any capital gain and pay any tax arising there from within thirty days of realisation of an asset. The depreciation of the cost of acquisition has been removed from formula for computing capital gains. This is to compensate for possible taxation of inflationary gains.

The tax rate has been revised from a flat rate of 5% to 10% to agree with the rate applicable to gift tax in order to protect revenue which may otherwise be lost through false characterization of transactions. The threshold for chargeable capital gain has also been raised from over c50,000 to over c500,000.

1. GIFT TAX

The Act has revised the multi rate of tax in the previous law to a flat rate of 10% on the total of taxable gifts in excess of c500,000 in any year of assessment.

This tax is also self assessment oriented. The taxpayer is obliged to report taxable gifts and pay tax thereon within thirty days after the total taxable gifts he receives exceeds c500,000 in any year of assessment. The previous threshold of taxable gifts was over c50,000.

INDIA

Country Correspondent:

S K Chowdhari

STRUCTURAL CHANGES

1. Large scale restructuring of the Income Tax Department was carried out in the year 2001. The restructuring is basically aimed at shortening the span of control, right-sizing the department and for inducting appropriate skill and technology. The expected benefits from this exercise are: a taxpayer friendly regime, much wider tax base and increase in Revenue collection. The restructuring has also resulted in a much leaner organisation with reduction of about 2716 posts. This would reduce the response-time in attending the problems of the tax-payers and also in tackling tax evasion.

2. A comprehensive programme has been undertaken to computerise the departmental operations. The programme is aimed at automated and faster processing of tax-returns, thus providing better services to

the tax-payers. The computerisation would also provide necessary database which would help in combating the tax-evasion.

The department has also taken certain taxpayers friendly measures such as installation of inter-active voice response system in the metropolitan towns of Kolkata, Chennai, Delhi and Mumbai. The system would enable a tax-payer to obtain any Direct Tax related information on phone. This system will be extended to other cities also in due course.

MALAYSIA

Country Correspondent:

Ms Nurul Aim Bt. Ahmad

PROPOSED CHANGES TO MALAYSIAN TAX LAWS

1. REVIEW OF PERIOD OF REINVESTMENT ALLOWANCE

Present Position

Currently, Reinvestment Allowance (RA) is granted to manufacturing companies and producers of promoted food products which reinvest in expansion, modernisation, diversification and automaton projects. From the year of assessment 1998, the period for RA is limited to 5 years commencing from the year of first reinvestment is made. Upon the expiry of the RA period, a company which reinvests is eligible for Accelerated Capital Allowance for a period of 3 years.

Proposal

To encourage investors to reinvest, it is proposed that RA period which is limited to 5 years since 1998, be extended to 15 consecutive years commencing from the year the first reinvestment is made.

Effective from

Year of Assessment 1998.

2. REVIEW OF TAX INCENTIVES FOR MACHINERY AND EQUIPMENT INDUSTRY

A company which intends to produce machinery and equipment is eligible for Pioneer Status with 70% income tax exemption for a period of 5 years or Investment Tax Allowance of 60% for a period of 5 years on condition, it complies with the valued added criteria of at least 30% and the Managerial, Technical and Supervisory Index of at least 15%.

Proposal

It is proposed that:

(i) for a company undertaking activities relating to the production of machinery and equipment, the value added criteria for the purposes of granting Pioneer Status with 70% income tax exemption or Investment Tax Allowance of 60% be reduced to a minimum of 20%. The Managerial, Technical and Supervisory Index criteria be maintained at a minimum of 15%; and

(ii) companies undertaking activities in the production of the following machinery and equipment:

- machine tools;

- plastic injection machines;

- material handling equipment;
- robotics and factory automaton equipment; and
- parts and components of the above machines and equipment

be granted the following incentives:

- (a) Pioneer Status with tax exemption of 100% of statutory income for a period of 10 years; or
- (b) Investment Tax Allowance of 100% on qualifying capital expenditure incurred within a period of 5 years with the allowance deducted for each year of assessment to be set-off against 100% of statutory income;

on condition that the companies comply with the value added criteria of at least 30% and the Managerial, Technical and Supervisory Index criteria of at least 15%.

Effective date

This proposal is effective for applications received by the Malaysian Industrial Development Authority (MIDA) from 20 October 2001.

Comments

The proposal aims to increase investments in machinery and equipment industry, so as to reduce the dependence on imports of machinery and equipment.

**3. REVIEW OF DOUBLE
DEDUCTION FOR THE
PROMOTION OF MALAYSIAN
BRAND NAMES**

Present Position

Companies which promote locally registered Malaysian brand names can claim double deduction on advertising expenses incurred in Malaysia. Meanwhile professional fees paid to companies promoting Malaysian brand names are allowed as a single deduction. Advertising expenses that are eligible for double deduction are as follows:

- (i) Advertisements on the Internet where the host website is located in Malaysia;
- (ii) Advertisements in magazines and newspapers printed in Malaysia;
- (iii) Advertisements on local licensed television stations;
- (iv) Advertisements approved by the relevant local authorities on advertisement hoardings located in Malaysia;
- (v) Advertisements in trade publications printed in Malaysia;
- (vi) Advertisements in any form in the course of sponsoring an approved international sporting event in Malaysia;

(vii) Advertisements in any form in the course of sponsoring an approved international trade conference or an approved international trade exhibition held in Malaysia.

Proposal

As a continuous effort to introduce and promote Malaysian brand names in the international market, it is proposed that double deduction be extended to the following expenses:

- (i) Advertising of Malaysian brand names registered overseas;
- (ii) Professional fees paid to companies promoting Malaysian brand names.

Effective from

Year of Assessment 2002.

4. EXTENSION OF TAX INCENTIVES FOR TOUR OPERATORS

Present Position

Currently, tour operators organising inbound/domestic tour packages are given income tax exemption on income derived from tour packages participated by not less than 500 foreign tourists or from group tours with at least 1200 local tourists per year. These tax exemptions are valid until the year of assessment 2001.

Proposal

In order to continuously promote the tourism sector, it is proposed that the present tax incentives for tour operators be extended for another 15 years.

Effective from

Year of Assessment 2002 to Year of Assessment 2006.

MALTA

Country Correspondent:

Mr Randolph Aquilina

"Some minor amendments have been made to the Income Tax Acts. These include:

Intellectual Property Rights

From the year of assessment 2002, any expenditure of a capital nature on intellectual property rights incurred by a person engaged in a trade or business is to be allowed as a deduction against the income of such trade or business.

Pre-Trading Expenditure

From the year of assessment 2002, a pre-trading expense incurred by a person within 18 months before beginning to carry on a trade or business is to be allowed as a deduction on commencement of the trade or business.

Rates of Tax

With the aim of reducing the tax burden for married couples opting for a joint computation of income, the rate of tax bands were slightly widened."

Singapore

Country Correspondent:

Ms Jackalin Er

In Singapore's Budget 2002, the Minister for Finance, Mr Lee Hsien Loong announced 2 major changes to the corporate tax system, namely Group Relief System and the one-Tier Corporate Tax System. The introduction of group relief allows the transfer of current year unutilised losses across related companies. The one-tier corporate tax system is aimed at reducing compliance costs for businesses, by simplifying the tax system and facilitating distribution of dividends by companies.

Significant cuts were also made to the corporate income tax rate and personal income tax rate. For YA 2003, the Government has decided to reduce the corporate income tax rate from 24.5% to 22% and the top marginal personal income tax rate from 26% to 22%, with corresponding cuts in all income bands. Correspondingly, to offset part of the revenue loss arising from the reduction in corporate and personal income tax rates, the Government has also decided to raise the GST rate from 3% to 5% with effect from 1.1.2003.

This year, a number of changes were also made to sector-specific incentives. For example, several financial sector incentives to promote fund management, treasury market and capital market activities, as well as trust services, were enhanced. A new scheme granting tax deduction for offshore special reserves was also introduced for general insurance companies. Most of the existing financial sector incentives will also be rationalised and merged into an umbrella Financial Sector Incentive Scheme, to be implemented in YA 2004. To continue to attract shipping leaders to Singapore, the scope of the Approved International Shipping Enterprise Scheme has also been expanded. The minimum rate of tax on companies approved under the Development and Expansion Incentive will be reduced to 5%. Incentives to encourage research and development activities were enhanced, and the scope for granting of unilateral tax credit has been further extended to encourage Singapore professionals and firms to export their services overseas.

A significant change to the personal tax regime was the introduction of the "NOR" (Not Ordinarily Resident) Employee Scheme to accord various tax concessions to individuals with NOR status. This is to attract mobile and global talent to Singapore to share their expertise. Non-resident arbitrators will also be exempt from tax on income from arbitration work carried out in Singapore.

To encourage philanthropy and deepen Singapore's social cohesion, double tax deduction will be granted for donations made to Institutions of Public Character, together with several other tax changes such as allowing the carry forward of unutilised donations. All these tax changes will take effect from the Year of Assessment 2003. on estate duty, Minister has also decided to exempt from estate duty movable assets of non-domiciles in Singapore with effect from the Year of Assessment 2003.

Full details of the tax changes due to the Budget 2002 is available on the website of the Ministry of Finance, Singapore at <http://www.mof.gov.sg>.

NEW ZEALAND

Who's cashing in?

New Zealand's Inland Revenue has commenced working in partnership with industry groups to build a greater awareness of barriers to compliance and to help industry members develop a better understanding of our tax regime and their responsibility and benefits of paying taxes.

The project, *Industry Partnership* is an opportunity for Inland Revenue to identify any areas of difficulty taxpayers have with their overall compliance and address them by changing the tax system, administrative policy, the products we offer and the style of our relationship.

In addition to working in industries we are also seeking to raise community awareness and understanding of the tax system and of the impact of paying cash for work to assist people avoid their community obligations. For example, fewer tax dollars to maintain and improve New Zealand's roads, hospitals and education, and New Zealand as a country suffers.

A media briefing was held in May to launch the project.

SOUTH AFRICA

SARS overruns revenue targets by R4.2 billion on the revised estimate

PRETORIA – April 4 2001- The South African Revenue Service (SARS) exceeded the printed revenue target of R212.2 billion by R7.5 billion as well as the revised estimate of R215.5 billion by an additional R4.2 billion in revenue for the year ended as at March 31 2001.

The latest achievement means that SARS has consistently exceeded original and revised targets set by the Minister of Finance for the sixth time running.

Preliminary results show that SARS collected a massive R219.732 for the financial year 2000/2001.

SARS' outstanding performance is attributed to the organisation's overall strategy of increasing compliance levels through focusing on the following key areas of operations:

- Implementing an effective debt collection strategy;
- Implementing better risk profiling and enforcement strategies; and
- Improving investigative capacity to improve compliance;
- Clearing up of considerable backlogs in assessments and auditing of tax return.

More broadly, the organisation is committed to raising levels of tax and customs compliance in both the corporate sector and individual taxpayers. Higher levels of compliance play a crucial role in growing the country's economy.

The bulk of the surplus on the revised estimate, totalling R4.2 billion, was achieved in the area of **INCOME TAX**. SARS' compliance strategy delivered much higher than anticipated receipts from companies due to increased company profits as well as improved audit and assessment processes.

VAT collections were higher by R1.395 billion than the printed estimated amount due to improved private consumption expenditure and higher product prices linked to the depreciation of the rand and the high international oil price.

Secondary Tax on Companies (STC) registered about R1.988 billion higher than the printed estimate, mainly due to considerably higher corporate earning distributions from a number of big corporations.

Furthermore, **Customs duties** were approximately R1.577 billion more than the printed estimate, mainly due to increased import values during 2000. The value of imports increased year on year in 2000/01 by 28.8 percent as opposed to a growth of 3.3 percent in the previous year. A number of steps aimed at improving the operational efficiency of the Customs division were also taken over the past year, which contributed to the improved collections.

Collections from **other taxes** amounted to R5.577 billion, which is R359 million higher than the printed estimate. This is mainly due to higher than expected Transfer Duty collections. The value of mortgage transactions increased year by 37% in 2000 and the number of transactions increased by 27%.

The introduction of a call centre – a pilot project was launched in Randburg, Johannesburg, recently - also ensured that we reached a much wider target than before, thus contributing to efforts to optimise collections. In addition, the implementation of a debt management system on 15 October 2000 helped to contain and reduce outstanding debts.

The new financial year will see nationally co-ordinated, integrated campaigns focusing on high-risk industries and activities. Such campaigns will include audits, investigations and customs control. Key players in these sectors will be approached by SARS to fashion out a united approach to raising the levels of compliance and levelling the playing fields for all participants.

SARS staff contributed immensely by working around the clock in various offices countrywide during the last days before the financial year ended thereby providing a net for the collection of additional revenue.

The Commissioner wishes to express his heartfelt gratitude to SARS' staff for the commitment and dedication. He also thanks the progressive sectors of business for working with SARS in trying to achieve a co-operative approach to increasing compliance levels.

SARS will continue to strengthen its revenue collection capacity through the implementation of organisational re-engineering and transformation to improve its relations with all its clients. This will ensure an efficient service provision to all taxpayers.

SRI LANKA

Country Correspondent:

Mr H B A Seneviratne

The Government at its Budget Speech for the year 2002 made in March, announced the following proposals regarding taxation.

1. **Abolition** of Goods and Services Tax (GST) and National Security Levy (NSL) and introduction of the Value Added Tax (VAT) effective from July 1, 2002.
2. **Abolition** of Government Stamp Duty with effect from May 1 2002.
3. **Introduction** of a new tax called "Debit Tax" effective from June 1, 2002.
4. Introduction of the **Port and Airport Development Levy** effective from April 1, 2002.
5. The following proposals relating to income taxation to be effective from April 1, 2002.
 - Personal income tax threshold to be increased from Rs.144,000 to Rs.240,000 per annum.
 - Tax bracket to be enlarged as follows:

Taxable Income Tax Rate

First Rs.180,000 - 10%

Next Rs.180,000 - 20%

Balance - 35%

- The rate schedule of income tax to be changed from "10%, 15%, 25% and 35%" to "10%, 20% and 35% as above.
- Top rate of personal income tax to be reduced to 25% in 2003.
- Relief on terminal benefits extended by increasing the value of the tax threshold (i.e. no tax bracket).

First 1,000,000 - Nil

Next Rs.500,000 - 5%

Next Rs.500,000 - 10%

Balance - 15%

- High marginal rate of corporate tax to be revised to 30% in 2003 and 20% in 2004.
- Companies with a taxable income of less than Rs. million to be taxed at 20%. (A marginal relief would be granted).
- Revision of allowable expenses such as expenditure in research and development, staff training, entertainment and foreign travel and one time cost of acquiring technology.
- Final withholding tax of 10% on interest income exceeding RS.72,000/=per deposit per year.
- Final withholding tax of 10% on dividends.
- Withholding tax of 10% on non-residential rent exceeding Rs.50,000 per month per premise or Rs.500,000 per annum.
- Withholding tax of 5% on specified fees to be restricted to any payment exceeding Rs.50,000 per month or Rs.500,000 per annum.
- Accelerated depreciation facility for investments in information technology equipments and software to be increased to 100%.
- **Abolition** of income tax on **capital gains**.
- **Abolition of imputation system** of company taxation.
- Concessions to housing finance and construction industry.
 - grant of Qualifying Payment Allowance up to a limit of Rs.100,000/- or 1/3 of the assessable income, whichever is lower for new construction or purchase of a house being the first house constructed or purchased on or after 01.04.2002.
 - to classify specialised housing bank as a priority sector and subject to a 20% corporate tax.
- Exemption of interests on Reconstruction Bonds or Development Bonds denominated in US Dollars to reconstruct the economy.
- Tax Administration Reforms –
 - Issue of Good Citizen cards to taxpayers who honour their tax commitments on time.
 - Strengthening of large taxpayer unit of the Inland Revenue Department.

6. Harrassing informal economy

- to grant an Amnesty with regard to income taxation for persons investing undisclosed money in specified development activities or certain securities such as treasury bonds within a specified period.

7. Abolition of 100% transfer tax applicable to non-citizens.

8. Revision of Levy on Betting and gaming from 01.04.2002.

- Gaming – an annual levy of rs.12 million to be paid up-front in four quarterly instalments.
- Betting – off course racing – an annual levy of Rs.500,000/- to be paid up front in four quarterly instalments.
- Reduction to Rx.10,000/- if there are no live-telecasts.

UNITED KINGDOM

Country Correspondent:

Mr Chris Green

The Chancellor of the Exchequer, Gordon Brown, announced a number of changes in his Budget Speech on 17 April 2002.

Inland Revenue Tax Rates and Allowances For 2002-03

Revised rates and allowances for income tax, corporation tax, capital gains tax, inheritance tax and the pension schemes earning cap are set out below.

	2001-02 (£)	2002-03 (£)	Increase (£)
Income tax allowances	4 535	4 615	80
Personal allowance	5 990	6 100	110
Personal allowance for people aged 65-74	6 260	6 370	110
Personal allowance for people aged 75 and over	17 600	17 900	300
Income limit for age-related allowances	5 365	5 465	100
Married couple's allowance for people born before 6 April 1935	5 435	5 535	100
Married couple's allowance –aged 75 or more	2 070	2 110	40
Minimum amount of married couple's allowance			
Children's tax credit	5200	5 290	90
		- 10 490	-
Children's tax credit – baby rate			
Blind person's allowance	1 450	1 480	30
Capital gains tax annual exempt amount:	7 500	7 700	200
	3 750	3 850	100
Individuals etc:			
Other trustees:			
Inheritance tax threshold	242	250	8000

		000	000
Pension schemes earnings cap	95 400	97 200	1800
Taxable bands 2001-02			
(£)			
Starting rate 10 per cent	0 – 1 880	Starting rate 10 per cent	0 – 1 920
Basic rate 22 per cent	1 881 – 29 400	Basic rate 22 per cent	1 921 – 29 900
Higher rate 40 per cent	Over 29 400	Higher rate 40 per cent	Over 29 900
Corporation tax profits 2001-02 (£)		Corporation tax profits 2002-03 (£)	
Starting rate 10 per cent	0	Starting rate zero	0
	– 10 000		– 10 000
Marginal relief	10 000 – 50 000	Marginal relief	10 000 – 50 000
Small companies' rate 20 per cent	50 001 – 300 000	Small companies' rate 19 per cent	50 001 – 300 000
Marginal relief	300 001 – 1 500 000	Marginal relief	300 001 – 1 500 000
Main rate 30 per cent	1 500 000 or more	Main rate 30 per cent	1 500 001 or more

The main rate of corporation tax for 2003-04 will be 30 per cent.

New Tax Credits: A £2.7 Billion Boost For Families And The Low Paid

The Chancellor announced the introduction of two new tax credits – the Child Tax Credit and the Working Tax Credit – will be introduced from April 2003 providing an additional £2.7 billion to support families with children, tackle poverty and make work pay.

The Child Tax Credit brings together the various strands of support for families with children – the child elements in Income Support, Jobseeker's Allowance, Working Families' Tax Credit (WFTC), Disabled Person's Tax Credit (DPTC) and the Children's Tax Credit – into one streamlined system.

The Working Tax Credit will broadly replicate the adult support in WFTC and extend the principles of WFTC and DPTC to adults without children to create one transparent instrument to make work pay, paid through the wage packet. It will also include support with the costs of childcare, building on the success of the existing childcare component of WFTC and DPTC.

Working With Business And Consumers To Protect The Environment

The Chancellor announced further important steps in the Government's strategy to protect the environment, continuing to work with business and consumers. Building on its recent Budgets, the Government announced a series of targeted measures to help to deliver environmental benefits.

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Stamp Duty on UK Land And Buildings

The Chancellor announced a package of measures to tackle current avoidance of stamp duty on commercial property transactions and launched major reform to modernise stamp duty on land and buildings in the UK. Legislation will be included in Finance Bill 2002 to discourage a range of techniques currently used to avoid stamp duty on high-value property deals. These measures bring forward a fundamental part of the longer-term modernisation of stamp duty. Legislation will be included in the Finance Bill 2003 to reform stamp duty. The reform will build on the 2002 measures to tackle avoidance.

National Insurance Rates 2003-04

The Chancellor announced an increase in the rates of National Insurance contributions (NICs) which will be introduced in 2003-04. There will be an additional 1 per cent national insurance contribution (NIC) by employers, employees and the self-employed on all earnings above the NICs threshold of £89 per week. This is in addition to existing rates of contribution below the upper earnings limit for employees and the upper profits limit for the self-employed.

This means that the starting point for both employers' and employees' NICs in 2003-04 will be £89 per week and no employee will pay NICs on earnings below this amount.

Cross Border Royalty Payments

The Chancellor announced a new measure which is an optional scheme for companies which pay royalties abroad.

- This allows companies to pay royalties at the treaty rate of deduction of tax without seeking prior clearance from the Inland Revenue.
- Where the company has a reasonable belief that the beneficial owner of the royalties is entitled to relief from UK tax on those royalties under a double tax treaty, they may pay the royalty gross, or at a reduced rate of deduction at source, in line with the terms of the relevant treaty.
- The new scheme will apply to payments of royalties made on or after 1 October 2002.

Taxation of UK Branches of Foreign Companies

New rules will ensure that a branch will be treated as having the amount of equity and other capital that it would need if it was a separate company operating in the United Kingdom, in the same or similar conditions and circumstances as the branch. This will effectively limit the amount of debt the branch will have, and therefore restrict the deduction for interest that can be claimed for tax purposes. At the same time they modernise the terminology used in UK domestic tax legislation, changing the taxation of "branches" to the taxation of "permanent establishments" which is more commonly used in our double taxation agreements. Finally, if there is international consensus for changing the way branches or permanent establishments profits are measured in future, then these rules enable the UK to keep in line with such developments, if the Government chooses to follow them.

There will be consultation on the technical detail of the legislation, based around draft clauses to be published shortly.

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Inland Revenue making Tax Law Easier to use: Thirteenth Exposure Draft – Foreign Income and Property Income

On the 27 March 2002 the Tax Law Rewrite Project, which will rewrite and restructure the UK's primary tax legislation so it is clearer and easier to use, published its latest example of rewritten law for consultation.

This Exposure Draft – **Foreign Income and Property Income** incorporates the rules for foreign source income into the charging provisions for trading income, savings and investment income and miscellaneous income wherever possible. The foreign income clauses also cover various provisions relating to foreign income generally.

The property income clauses cover both UK and overseas property income and include all the property income rules that will go into the second income tax rewrite Bill.

ZIMBABWE

Country Correspondent:

Mr Walter Dakwa

CMDP-2001

Again Zimbabwe is greatly honoured to host the Commonwealth Management Development Programme and is humbled by the faith CATA has in Zimbabwe as the country hosts the programme for the third year in a row. All details are as reported in the March newsletter. But there has been a change in the venue to a new resort, location only 33 kilometers from Harare the capital city. The resort is by a lake offering safari and excellent conference facilities with a difference. Those who will participate in the programme will enjoy the atmosphere and the study. Please note the change of venue!

The Zimbabwe Revenue Authority

Last year in March 2000, the Zimbabwe Revenue Authority Act was promulgated and the Minister of Finance was empowered to bring it into effect by means of a statutory instrument which he did on 19th of January 2001.

Mr G.T. Pasi was appointed the first Commissioner-General of the Zimbabwe Revenue Authority towards the end of April, 2001. Mr. Pasi was the Commissioner of Taxes before his current appointment. He is now faced with the onerous task of implementing the wishes of the people of Zimbabwe as expressed through the Zimbabwe Revenue Authority Act. The Authority is expected to become fully operational by the end of July 2001. The Authority will bring the operations of the Department of Taxes and the Department of Customs and Excise together.

National Budget 2001

The national budget for the year 2001 was presented to parliament in November 2000 and most of the proposals were with effect from the 1st of January, 2000. The following are the tax high lights:

Credits

Credits were increased as follows:

Nature of credit Previous \$ Present \$

Credit for taxpayers 3000 8 400

over 59 years of age

Blind persons 3000 5 000

Mentally and physically 3000 5 000

disabled persons

Income tax rates

Employment income

The taxable threshold was increased from \$30 000 to \$60 000 and the income bands used in the calculation of income tax were accordingly alter to reflect as shown below.

Level of taxable % t/income tax cum./tax

income

Up to \$60 000 0 60000 0 0

\$60 001 to \$90 000 20 30000 6000 6000

\$90 001 to \$120 000 25 30000 7500 13500

\$120 001 to \$150 000 30 30000 9000 22500

\$150 001 to \$180 000 35 30000 10500 33000

\$180 001 to \$840 000 40 666000 264000 297000

\$840 001 upwards 40 + 30% surcharge

The effective rate of tax on a taxable income of \$840 000 is therefore 35.4%

Other income

Nature of taxable income

Present Previous

rate rate

Taxable income of individual

from trade or investment 30 35

Taxable income of company

or trust 30 35

Taxable income of pension

fund from trade or investment 15 15

Taxable income of licensed

investor (after the fifth year of

his Operations as such) 15 15

Taxable income of holder

of special mining lease 25 35

Taxable income of

mining company 25 35

Taxable income of person engaged

in approved BOOT arrangement

First five years of the arrangement 0 0

Second five years of the arrangement 15 15

Third five years of the arrangement 20

Taxable income of industrial park

developer (after the fifth year

Of operations as such) 10 15

Taxable income of person engaged

in new manufacturing project

In a growth point area 10 10

Taxable income of person engaged

in new project providing

Infrastructure in growth point area 15 15

Dividends from company

incorporated outside Zimbabwe 20 20

Residents tax on interest

Residents tax on interest was reduced from 30% to 20%.

Tax on treasury bills

With effect from the year of assessment beginning on the 1st of January, 2001, tax on earnings from treasury bills earned by financial institutions shall be included in gross income charged tax at the prevailing corporate rate. Previously such income was subject to a withholding tax at 15%.

Tobacco Levy

The rate of tobacco levy was reduced from "two and half per centum" to "one and half per centum"

Carbon tax

The government introduced a carbon

tax at the following rates:-

\$

Up to 1500cc 1200

1501cc to 2000 cc 2400

2001cc to 3000 cc 3600

3001cc and above 4800

INCOME TAX ACT

Mining

For years the mining sector has been producing assessed losses and there is no prescription period. However the tax regime introduced with effect from the 1st January, 2001, that where a company is operating a separate mine (under separate mining titles), the accounts of each mine shall be kept separate and the allowable deductions calculated separately for each mine and shall not be transferable between such mines except where they are expenditure on an exploration license that has been relinquished by a mining company.

Deduction against gross income in respect of general and administrative costs incurred at a head office outside Zimbabwe or by a parent company, will now be limited to a maximum of 1% of gross income for the year of assessment in the production phase of a mining project and to a maximum of 0,75% of allowable deduction during the pre-production phase. Any excesses of such expenses above the limit shall be treated and taxed as a dividend.

Further, where a company has a debt to equity ratio in excess of 3 to 1 at any time during the tax year, the amount of interest paid by the company during that year on that part of the debt that exceeds the ratio will be disallowed as a deduction. An amount so disallowed shall be treated and taxed as a dividend.

ZAMBIA

Country Correspondent:

Mr Raymond Mbali

1. APPOINTMENT

His Excellence, Mr Levy Mwanawasa, the President of the Republic of Zambia, has appointed Mr Berlin Msiska as Commissioner General of the Zambia Revenue Authority. Mr Msiska takes over from Mr Kevin Donovan who takes up the position of Advisor to the Commissioner General. The appointment of Mr Msiska completes the Zambianisation of Senior Management of the Zambia Revenue Authority, and is in line with the Presidential directive for increased participation by Zambians in running of Statutory Bodies. The Zambianisation of the Zambia

Revenue Authority has been progressing since the establishment of the Authority in 1994, when all key management positions were held by expatriates. Since then, all Senior Management positions save for that of Commissioner General have been Zambianised. Prior to his appointment, Mr Msiska has been serving as Commissioner of the Direct Taxes Division in the Zambia Revenue Authority.

The President thanked Mr Donovan for his dedication and contribution to the development of the Authority during his tenure, which has seen the Zambia Revenue Authority achieve significant performance milestones and establish itself as one of the best regarded revenue collection agencies on the continent.

2. 2002 BUDGET TAX CHANGES

All the Direct Taxes measures are effective from 1st April 2002.

2.1 Personal Income Tax

The one number of tax bands has been reduced from three to one. The individual tax credit has been removed. The chargeable income will now be taxed as follows:-

Table 1: Chargeable Income per annum:

(Old) Chargeable Income Per Annum	(New) Chargeable Income Per Annum
First K1,600,000 @ 10%	First K1800,000 @ 0%
Next K600,000 @ 20%	Excess Above K1,800,000 @ 30%
Above K2,200,000 @ 30%	
Tax credit K144,000	

As a result of the restructuring of the tax bands and the tax credits, persons earning K150,000 per month or K1,800,000 per annum will not pay Income Tax.

The disability tax credit has been increased from K1,200 to K18,000 per annum. Therefore, in the case of persons with disabilities income earned up to K155,000 per month or K1,860,000 per month will be tax-free.

2.2 Exempt Portion of Terminal Benefits

The exempt portion of terminal benefits has been increased from K3 million to K5 million.

2.3 Mortgage Interest

Currently, mortgage interest paid on a loan secured by a mortgage on residential property is given as a tax relief against taxable income of an individual. The mortgage interest relief has now been abolished.

2.4 Deduction for employing a person with disability

Any person who employs a person with disability is allowed a deduction against his business profits. The deductible amount has been increased from K240,000 to K500,000 for each such person employed. For the deduction to be allowed, the persons with disabilities must be covered under the Persons with Disabilities Act 1996.

2.5 Interest on Government Bonds

Interest earned on Government Bonds will now be subject to withholding tax at the rate of 15%. This will be the final tax.

2.6 Amount of Commutable Pension

Currently, any pension payable out of the Pension Fund or Scheme to an employee who has retired may be commuted. The amount of the pension that may be commuted should not exceed K1 million or 50% of the pension whichever may be greater.

The amount of commutable pension has been raised from K1 million to a maximum of K5 million.

2.7 Education allowance or education passage

The provisions dealing with the exemption of education allowance or education passage for expatriates have been repealed.

This means that education allowance or education passage will be taxable on the expatriate employees but the cost of providing this facility will be allowable in the hands of the employer.

2.8 Farm improvement allowance on Farm Dwelling

The farm improvement allowance on farm dwelling has been increased from K1 million to K5 million.

2.9 Estimated assessments

The Commissioner General is now empowered to raise estimated assessments where he has reason to believe that the company is to be wound up or liquidated.

2.10 Share Option Scheme

The Share Option Scheme provisions have been introduced in the Income Tax Act. The objective is to encourage employers to set up schemes for employees to own shares in the companies in which they are employed.

Under the Share Option Scheme the employer gives an employee a right, known as a "**share option**" to buy a certain number of shares at a fixed price at a particular time.

For the employer and employee to enjoy tax advantages, the scheme will have to be approved by Commissioner General under the proposed legislation. The tax advantage will include exemption from Income Tax and Property Transfer Tax.

2.11 Tax concessions for the Mining Industry

The following tax concessions have been extended to all mining companies involved in the production of copper and cobalt:

- (i) The income of the mining companies will be taxed at the rate of 25%.
- (ii) Withholding Tax will not be levied on dividends, royalties and management fees payable by the mining companies to their shareholders or affiliates. No withholding tax will also be levied on interest payable to share holders, affiliates or any other lender of money by the mining companies.
- (iii) The mining companies will pay mineral royalty at the rate of 0.6% of the gross of minerals produced.

ST. LUCIA

Country Correspondent:

Lesley Ann Modeste

CONFERENCES

Three members of the Systems Unit attended the Eastern Caribbean Oracle Users' Group Annual Conference and General Meeting which was held in Trinidad on March 14, 2002. This Conference provided officers the opportunity to gain knowledge and share experiences with their counterparts in the technological field.

TRAINING

The Department hosted a one day Refresher Workshop on the completion and submission of Income Tax Returns. Fifteen (15) of the less experienced staff members participated in this Workshop. This enabled staff of the Department to provide improved service during the peak filing period.

STAFF AWARDS

Twenty four (24) Officers were presented with Certificates of Merit for the year 2001. For the first time the most outstanding officer for each section was recognised with a presentation of a plaque and other tokens of appreciation ranging from Dinners and weekend stays at resorts in the island. The highlight of the day's activity was the presentation of the award for "**EMPLOYEE OF THE YEAR**" to Mr Sean Greenidge of the Collections Section.

BUDGETARY ANNOUNCEMENTS

The 2002/2003 Budget delivered by the Prime Minister on April 30 2002 outlined several new policy measures designed to stimulate the economy, induce foreign investment, facilitate private sector reorganisation and financing, increase capital investment in the public sector, strengthen liquidity and boost economic performance. The main fiscal measures which directly impact on the Inland Revenue Department are:

TAX PAYMENT SETTLEMENT PLAN

With immediate effect the Department would be offering this scheme, which is not to be regarded as a tax amnesty. The plan offers incentives to taxpayers by providing a waiver of interest and penalties in return for prompt settlement of income tax arrears as follows:

- Income Year 1996 and prior

Taxpayers who have arrears in respect of assessments of tax, penalties and interest for the period stated above may be entitled to waivers of interest and penalties of up to 70% and 100% respectively, if the arrears are settled by March 31, 2002. If the settlement extends to March 31 2004, the waiver on interest and penalties will not exceed 40% and 100% respectively.

- Income Year 1997 to 2000

Taxpayers with arrears in respect of assessments of tax, penalties and interest for the period may be entitled to a waiver on interest and penalties of up to 40% and 100% respectively if settlement is made by March 31 2003. If the settlement extends to March 31, 2004, the waiver will be reduced to 30% on interest.

INCREASE IN PERSONAL ALLOWANCE

In keeping with Income Tax Amendment No. 9 of 2001, The Personal Allowance for Income Year 2002 has increased to \$14,000.

The adjustment which came into effect on January 1 2002 will progressively ease an additional one thousand (1000) individuals from the payment of income tax.

CORPORATE TAX

Capital Cost Allowance

The Income Tax Act currently allows for Capital Allowances to be claimed on buildings used for the manufacture of goods or materials, the extraction of natural resources by mining or drilling, and for agricultural purposes. Starting from income year 2002, certain qualifying businesses will be allowed to claim capital allowances on commercial buildings used in the retail and service sectors, at an annual rate of 2.5%.

This incentive will not be available to companies that are granted fiscal incentives in the tourism industry as these companies enjoy 100% income tax waivers. The allowances will be based on the initial cost of the building, in the case of a new acquisition or construction, or on the written-down value of the buildings already in existence.

Accumulated Tax Losses

Beginning income year 2002, accumulated income tax losses will be made available to the subsidiary or parent companies of a group on the reorganisation of that group. The utilisation of the tax loss will be based on the substance of the group reorganisation, which must be approved by the Comptroller of Inland Revenue. The utilisation of losses will be subject to the current rules as to carry-forwards and maximum set off of losses in any year.

In addition, groups or companies wishing to reorganise their structures in order to become more competitive, or to list portions of their businesses on the Eastern Caribbean Stock Exchange, will be allowed Stamp Duty waivers in respect of the transfer of properties between group companies, or to new companies where there is no change in beneficial ownership.

These incentives will be provided only where the Comptroller has approved the reorganisation, based on an application by the group or company. Stamp duties that can be waived include the vendors tax on the transfer of property paid by the vendor, and the stamp duty on the registration of the title paid by the purchaser.

TAX on CELLULAR PHONE BILLS

A 10% cellular tax will be levied on the consumers of cellular phone services. The tax is based on the gross sales or gross receipts of the cellular service provider, and becomes effective on May 4 2002. The providers will be responsible for charging the tax on the sale of phone cards and cellular calls, and will be required to remit the proceeds of this tax no later than the 15th of the following month.

TICKET TAX

Effective July 1 2002, all persons enplaning to St Lucia, will be required on purchasing their tickets to pay a fee of US\$5.00.

OTHER

TAX PREPARERS FORUM 2002

The Department successfully hosted the 4th Annual Tax Practitioners' Forum on March 18 2002. This Forum provided the opportunity for Tax Practitioners and Consultants to interact with the management of the Department on current legislation and administrative procedures which are currently utilised. Ideas and recommendations were also sought from this target group for improved service in the operations of our Department.

The activity continues to be a priority on the calendar of events for the Department as we seek to improve our communication with our clients.

DEPARTMENT'S WEBSITE & LOGO LAUNCHED

The Inland Revenue Department's website. This was officially launched on March 18 2002. The site provides general information on legislation and other tax related Matters.

The advent of this new technological tool has opened the doors of the Department to the wide world. It is envisaged that in time, the website will address the needs of our many clients by the availability of information on the various legislations which are administered by the Department.

COMMUNITY HELP DESKS

"Taking taxes to the People" was the theme used for the establishment of HELP DESKS during the month of MARCH - the peak filing period.

The Help Desks which were manned by Officers of the Department, were strategically located at the shopping Malls and Post Offices in the capital Castries, Rodney Bay in the north and Vieux Fort in the south of the island.

These Desks served as a one-stop shop for not only was assistance given in the completion of the Income Tax Return for employees and self- employed individuals but issues relating to Property Tax were also dealt with.