

Editorial

Role of Information Technology

There is complete consensus amongst tax administrators throughout the world that as in all other fields of activity, the use of modern information technology is pivotal for the efficient performance of present day tax administrations. However, problems emerge straight away when it comes to implementation plans and resources. The benefits of computerisation and automation of processes do not become evident immediately. It is difficult to convince policy makers and political masters, especially in developing countries that the long term benefits of heavy investment in information technology are worth moving in that direction, the sooner the better. Revenue generation remains the benchmark for success of revenue departments and all efforts that look for results and outputs beyond the end of the operative financial year take low rankings in the prioritisation of policy objectives and planning. The irony is that the speed of advance in information technology is so rapid that any delay in decision making leaves the automation blueprint outdated by the time it may be ultimately approved. A number of countries have ended up wasting valuable resources in this manner. At the same time, given the investment as well as the complexity of issues involved, it is equally important not to rush into hasty decisions. Finding the right balance between well considered options and an implementation schedule that does not render the whole exercise irrelevant is the key to success.

As for the case for automation of tax functions itself, the evidence in favour is totally overwhelming. The age of automation has brought along with it a change in the pace and psyche of human life itself. The more technology has advanced and improved the quality and immediate availability of information and services, the more impatient man has tended to grow! once he has gotten used to a faster pace of life, it seems difficult to break down that momentum. For instance, as the gap between train timings gets lesser and lesser, instead of feeling relaxed and assured, passengers seem to run faster on platforms to catch the first available train. Better and faster availability of information and services have raised expectations and created the modern critical and rather impatient human being. The only time the momentum seems to break is when people actually take a break from work.

Given that backdrop, tax administrations simply cannot afford to set or maintain their own gentle pace. Apart from the speed element, information technology makes it easier for the people to communicate with tax authorities and for the tax authorities to contact taxpayers. That in turn amounts to making it easier for taxpayers to access information, understand and comply with legal requirements, not necessarily within the constraints of traditional office hours. That virtual contact is also the best way to avoid face to face

confrontations that were a frequent occurrence in the past. However, automated information sources needed to be kept current, literally right up to the minute. Expectant and impatient clients have very low tolerance levels for stale information. It is interesting that when someone from a more developed country travels to one with relatively far less developed systems, the expectation and tolerance levels are generally adjusted automatically. That is why it is important that when new systems are developed or the efficiency and effectiveness of information provision and services are raised, they are never be allowed to fall.

In most developed countries, the fruits of development are concentrated in major urban areas. Those closer to the seat of power, generally get more attention and resource allocation. Information technology is one means, generally a cost effective one too, of ensuring that the availability and level of service is not affected because of the geographical location of any region within national boundaries.

The subject of role of information technology is too vast to be covered in a brief editorial. Three very important elements that must, however, be mentioned here are:

- Clear identification of the objectives sought to be achieved through automation of processes is essential. Without that clear vision, any follow up action is likely to drift into unproductive, even wasteful investment of valuable time and resources. It is absolutely essential that these objectives are set after a consultative process involving taxpayers and representative bodies of trade and industry. It is a fatal error to assume that tax administrations are already aware of issues involved.
- An important element in the initial phase of development has to be the development of a taxpayer master file and unique identification numbers. All other systems are dependent on the type and accuracy of information in the master file. Any structure built on an unreliable foundation will inevitably be riddled with problems and discrepancies.
- A major problem, especially in developing countries is that of getting, training and retaining the right personnel for such operations. A continual debate rages over whether it is better to recruit non-tax personnel and train them in tax functions or to train tax officials in automation processes. The tilt seems mostly in favour of the latter option. Firstly, it is difficult to find competent IT experts from the private sector in terms of what civil service salaries can offer. Therefore, the effort is more likely to attract relatively unsettled individuals in the highly competitive private sector. Secondly, training relatively less qualified private sector individuals is risky business in that revenue departments finance the additional market value of such individuals leaving themselves vulnerable to losing them back to the private sector. This is in addition to time consuming recruitment procedures. Therefore a well thought out and realistic recruitment and career planning policy is fundamental to long term success.

CATA NEWS

TWENTY FIFTH CATA ANNUAL TECHNICAL CONFERENCE/ WORKSHOP – LUSAKA, ZAMBIA

Arrangements have been finalized for the **Twenty Fifth CATA Annual Technical Conference/Workshop** scheduled to be held in Lusaka, Zambia from **5 to 10 September 2004**. More than 110 delegates including members and special guests representing non-member countries and international organisations are enlisted for participation.

The Workshop will deliberate on the following two topics:

- 1.Strategies for widening the tax base**
- 2.Building capacities in revenue agencies**

MAURITIUS TO HOST CATA CONFERENCE 2006

Mr Mustapha Mosafeer, Commissioner of Income Tax, Mauritius has confirmed his country's decision to accept the invitation from CATA Secretariat to host the CATA conference in 2006. Mauritius had earlier hosted the conference in 1990 with excellent all round arrangements.

COMMONWEALTH TAX INSPECTORS COURSE (CTIC) 2004

The Commonwealth Tax Inspectors Course started at Lawress Hall, Lincoln in the United Kingdom on **2 August 2004**.The names of participants for this year's course are as follows:

Eric Nzamwita (Rwanda)
Alfred Ndiokubwayo (Rwanda)
Seth Muhirwa (Rwanda)
Josephat Mnanka (Tanzania)
Oswald Mbunda (Tanzania)
Ausa Rweyendela (Tanzania)
Gajadeera Jayantha (Sri Lanka)
Sophia Ioannou (Cyprus)
Koni Ravono (Fiji)
Musukebba Corr (The Gambia)

ADVANCING MANAGEMENT POTENTIAL (AMP) 2004

The Advancing Management Potential training programme for senior tax officials commenced in Lincoln, United Kingdom on **2 August 2004**.The names of participants for this year's course are as follows:

Gasore Sentama (Rwanda)
Jean Mbarushimana (Rwanda)
Ephraim Murenzi (Rwanda)
Yasmin Carney (UK)
James Ojee (Kenya)
Herbert Kabyemera (Tanzania)
Dharmasena Kodikarage (Sri Lanka)
Hui Min Foo (Singapore)

Sailosi Ledua (Fiji)

**COMMONWEALTH MANAGEMENT DEVELOPMENT PROGRAMME
(CMDP) 2004**

The Commonwealth Management Development Programme for 2004 will be hosted by The National Tax Academy, Inland Revenue Board of Malaysia from **30 August to 8 October 2004**.

The programme covers a broad range of subjects which include: management development and organizational development in the year 2003; 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.

The programme will be delivered by experts drawn from the Australian Taxation Office and the Inland Revenue Department of New Zealand.

TAXATION OF INTERNATIONAL TRANSACTIONS (TOIT) 2004

The Workshop on Taxation of International Transactions sponsored by CATA for senior and middle level tax officials was held from **2 August to 20 August 2004**.

The Workshop was held at:
The National Tax Academy
Inland Revenue Board
Bandar Baru Bangi Selangor
MALAYSIA

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. Participants will include either senior and middle level officials involved in the negotiation of tax treaties, application of tax treaties, or in development of policy or administration in relation to international taxation; or tax Inspectors responsible for, or engaged in, the audit of multinational enterprises and of other taxpayers involved in international transactions.

Participants to this year's workshop included:

- 1. Tyrone Pearson Lavine (Barbados)**
- 2. Roslyna Bt. Dr. Hj. Abdul Latif (Brunei)**
- 3. Potamitou Maria (Cyprus)**

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| 4. | Wai Hang Fong | (Hong Kong) |
| 5. | Maurice Otieno Ochieng | (Kenya) |
| 6. | George Waweru Mbatai | (Kenya) |
| 7. | Baguant Jogeswari | (Mauritius) |
| 8. | Anthea Suzette Beukes | (Namibia) |
| 9. | Igbinomwanhia Jolly Aheko | (Nigeria) |
| 10. | Reguvaran s/o Sreedharan | (Singapore) |
| 11. | Edward Limoni | (Solomon Islands) |
| 12. | Chandralal Wijeyananda Walpita
Gamanayake | (Sri Lanka) |
| 13. | Nancy Sibongile Mavuso | (Swaziland) |
| 14. | Jackson Harun Maswi Wangkogere | (Tanzania) |
| 15. | Hosea Minja Ananiah | (Tanzania) |
| 16. | Ndibalwanya Masturah Nsubuga | (Uganda) |
| 17. | Nurzahirudin Amin B. Husin | (Malaysia) |
| 18. | Harizan bt. hj. Hussin | (Malaysia) |
| 19. | Saw Lye Hock | (Malaysia) |
| 20. | Lim Kien Thai | (Malaysia) |
| 21. | Salbiah bt. Ismail | (Malaysia) |
| 22. | Md. Nasir B. Mohamad | (Malaysia) |
| 23. | Chan Sou Ian | (Malaysia) |
| 24. | Nor'aini bt. Mohd. Ali | (Malaysia) |
| 25. | Wan Muzaffar B. Wan Nilam | (Malaysia) |

NEW COUNTRY REPRESENTATIVE

Mr Mukhtar Ahmad Gondal, Chief (Direct Taxes Policy) has been appointed as the new Country Representative for Pakistan. The appointment follows restoration Pakistan's full membership of the Commonwealth.

NEW COUNTRY CORRESPONDENTS

New Zealand

Ms Julia Gates has been appointed as the new Country Correspondent. She takes over from Ms Raelene Cook.

Pakistan

Mr Mahfuz ur Rehman Pasha, Secretary (International Taxes) has been appointed as the new Country Correspondent for CATA.

NEW CATA COURSE ADMINISTRATOR

Mr Sean Rabbett is the new Course Administrator for the UK Inland Revenue responsible for organising the two CATA sponsored United Kingdom based training programmes, AMP and CTIC. He replaces Mr Andrew Coombes who performed that role with distinction and dedication in the past. Mr Rabbett joined International Assistance on 1 June 2004. His contact details are as follows:-

CATA Course Administrator
Revenue Policy International
International Assistance
Inland Revenue
Victory House
30-34 Kingsway
LONDON WC2B 6ES

Tel: 020 7438 8203

E-mail: Sean.Rabbett@ir.gsi.gov.uk

Fax: 020 7438 6106

Mr Rabbett has confirmed that the dates for next year's courses will be as follows:-

Arrival in UK on Sunday 31 July 2005.
Courses start on Monday 1 August 2005.
Courses end Friday 16 September 2005.

OTHER NEWS

COMMONWEALTH HEADS OF GOVERNMENT TO MEET IN VALLETTA, MALTA IN NOVEMBER 2005

The Commonwealth Secretary-General Don McKinnon has confirmed that the next Commonwealth Heads of Government Meeting (CHOGM) will take place between Friday 25 and Monday 28 November 2005 in Valletta, Malta. Commonwealth leaders accepted the offer from the Prime Minister of Malta to host the 2005 CHOGM at their last meeting in Abuja, Nigeria in December 2003.

Commenting on the forthcoming meeting Prime Minister Lawrence Gonzi said, "The Government and people of Malta look forward to welcoming Commonwealth leaders to our country. This Summit will allow us to further strengthen the Commonwealth's political, social, developmental and economic programmes."

Commonwealth Secretary-General Don McKinnon said that the Commonwealth Secretariat was working closely with the Government of Malta to ensure a smooth and successful meeting. "I am confident that this meeting will be another historic Commonwealth event. It will be twelve years since a small state last hosted a CHOGM and I am looking forward to a summit which delivers concrete outcomes for all Commonwealth citizens."

DEVELOPING ICT IN SMALL BUSINESSES IN BANGLADESH

More than 100 participants from the public and private sectors in Bangladesh involved in information and communications technology (ICT) attended a Project Initiation Seminar in Dhaka on 6 June 2004 under a Commonwealth Fund for Technical Co-operation (CFTC) initiative to promote the development of small business ICT strategies for Bangladesh.

This project aims to provide a competitiveness strategy for the sector, which includes an ICT development plan. Speaking at the opening of the seminar, Dr Abdul Moyeen Khan, Bangladesh's Minister for Science and Information and Communication Technology, said: "This project, a first for Bangladesh, is vital to our country's economic development activities as ICT is one of our core thrust areas. The novelty of this project is that it attempts to integrate the commercial and socio-economic advantages of ICT development for Bangladesh. We are grateful to the Commonwealth Secretariat for their commitment to Bangladesh's economic development through the initiation of this project."

Participants at the seminar, hosted by Bangladesh's Ministry of Science and Information and Communication Technology, were informed of the CFTC project plan and schedule for commencement in July 2004, with the first phase, followed by full implementation by March next year. The seminar was also attended by representatives from the donor community, which included the Asian Development Bank, the UK Department for International Development, Swiss Contact and USAID, who have pledged support for the ICT project.

NEW LAWS NEEDED TO TIGHTEN SECURITY IN CYBERSPACE

Commonwealth Deputy Secretary-General Florence Mugasha has called for new laws to keep up with developments in information technology that impact on the conduct of business, the combating of crime and the security of personal data.

Speaking ahead of her attendance at the Law and Technology Workshop for the Asia Region in Colombo, Sri Lanka, from 21 to 25 June 2004, Mrs Mugasaha stressed the necessity to provide security for eCommerce (electronic commerce) and to protect the individuals' privacy as

information on them can be obtained through computer databases. She said technological advances have an impact on almost every aspect of society, posing challenges in legislation and security. "This workshop serves as a catalyst in helping member countries build their capacities for eGovernance. Discussions on eEvidence, eTransactions, privacy, freedom of information and computer-related crimes will provide a platform for the sharing of input and experiences that will contribute to the harmonisation of laws within the region," stated the Deputy Secretary-General.

"This will assist member states towards building cyberlaw capacity for eGovernance. We must give credit to Commonwealth Heads of Government who took the initiative to mandate the Commonwealth Secretariat to undertake work in the area of technology." The workshop is a collaboration between the Secretariat and the Information and Communication Technology Agency of Sri Lanka. It is the second in a series of regional workshops planned with the objective of promoting Commonwealth model laws for adoption or adaptation by member countries. The first workshop took place in November 2003 in Kingston, Jamaica, following development of the Commonwealth legal frameworks by the Secretariat's Legal and Constitutional Affairs Division and adoption as Commonwealth Model Laws by law ministers in 2002.

This workshop contributes to the Commonwealth Action Programme for the Digital Divide, which the Commonwealth Heads of Government Meeting in 2002 recommended as part of the roadmap for member countries to meet the new role played by information and communications technologies in people-centred development. Mrs Mugasha said jurisdiction in cyberspace is another issue of interest in the development of national and international legislation, taking into account the different levels of development of member states. This will impact on eGovernance; government-to-government collaboration; government-citizen consultations and delivery of public services; and government-business transactions. The Deputy Secretary-General pointed out that business-to-business and business-to-customer transactions will also benefit from improved legislation that will safeguard and promote eCommerce.

AFRICAN CIVIL SERVICE STRIVES FOR EXCELLENCE

Mozambique's Minister of Public Administration, Jose Chichava, underlined the importance of reform in public service to provide quality and efficiency. Commemorating Africa Civil Service Day on 23 June 2004, which coincided with the gathering of more than 40 top level civil servants from Commonwealth Africa at a Commonwealth Consultative Meeting on the New Partnership for Africa's Development (NEPAD) at the Commonwealth Secretariat in London, UK, Mr Chichava said: "Governments should provide enabling environments for the public sector to develop and to thrive. This will translate into greater efficiency and productivity of the civil service. Africa Civil Service Day was instituted by the first Pan-Africa Conference of Ministers of Public Service in Tangiers, Morocco, in June 1994. This year's theme is 'The Civil Service: A Vehicle for Ensuring Better Services.'

Commonwealth Secretary-General Don McKinnon said that the African public service has been a major player in national development and urged Commonwealth African countries to strive further to achieve excellence. He stated: "This day was set to recognize that democracy and successful governance are built on the foundation of a competent civil service. Thus, we must strategically position and define our roles in providing an enabling support mechanism for delivery of public services at the national and continental levels, in support of NEPAD in the promotion of sustainable development." Mr McKinnon believed that the civil service should play a role in promoting socio-economic development and professionalism in its services to society. He said: "The civil service can be an effective channel to promote good governance, peace and democracy. Africa Civil Service Day provides a golden opportunity for governments, civil

servants and citizens to celebrate achievements, to reflect on the challenges ahead and to re-energise by enhancing efficiency, productivity and dedication in serving the nation.”

COMMONWEALTH SECRETARY-GENERAL ADDRESSES CARICOM HEADS

Secretary-General Don McKinnon addressed leaders of the Caribbean Community (CARICOM) at their 25th Meeting in St George’s, Grenada, on 5 July 2004.

Mr McKinnon said: “As an international organisation which includes 12 Caribbean members, the Commonwealth is one of CARICOM’s close partners and is active in a number of areas of concern to the Caribbean Community. Many of the issues Caribbean leaders will be addressing at this Meeting -- be it promoting tourism, achieving progress in the current international trade talks or managing vulnerability to natural disasters -- are important areas of work for the Commonwealth, which has a special focus on the needs and concerns of small states. “The Commonwealth is committed to assisting Caribbean member states through a number of specific development programmes. In 2002-03, the Commonwealth provided £1.9 million (US\$3.6 million) in assistance to the Caribbean region.”

The Secretary-General’s comments formed part of an ‘Exchange of Views’ with CARICOM Heads of State on issues of mutual interest to the Commonwealth and CARICOM. In his address, Mr McKinnon emphasised the high value which the Commonwealth Secretariat placed on its relationship with CARICOM. The Secretariat, he said, assists small states in a number of areas such as in the provision of trade advisers through its ‘Hub and Spokes’ project; working to reduce the worst excesses of the recruitment of teachers and nurses from the Caribbean by developed countries; and support to Caribbean states in their preparation for the renewed Doha Trade Round. The Secretary-General drew leaders’ attention on forthcoming Commonwealth activities of relevance to the region including the Commonwealth Finance Ministers Meeting to be held in St Kitts and Nevis in September 2004. The theme of that meeting will be the capacity of international financial institutions to support pro-poor trade liberalisation in low-income and vulnerable countries.

While in Grenada, Mr McKinnon held bilateral meetings with Caribbean leaders to discuss issues of common interest, including follow-up action on the Commonwealth Heads of Government Meeting (CHOGM) held in Abuja, Nigeria, last December, and issues relating to the forthcoming CHOGM to be held in Malta next year.

DEPUTY SECRETARY-GENERAL TO VISIT YOUTH PROJECTS IN AFRICA

Effective training in youth development and human rights will help young Commonwealth citizens in Africa and beyond to meet the challenges of the globalised world, says Commonwealth Deputy Secretary-General Florence Mugasha.

Speaking ahead of her trip to Africa, from 19 to 26 July 2004, Mrs Mugasha noted that the Commonwealth Youth Programme (CYP) Africa Centre in Lusaka, Zambia, has done valuable work for young people. The Deputy Secretary-General said it is an important contribution towards helping communities and nations to achieve the United Nations Millennium Development Goals and to further the democracy and development agendas of the Commonwealth.

PUBLIC SERVICES CAN MAXIMISE BENEFITS OF GLOBALISATION

Commonwealth Deputy Secretary-General Winston Cox said it is important for countries to respond to the forces of globalisation and economic liberalisation to maximise the benefits and minimise the losses from these processes, noting that the public services can play a contributory role. Mr Cox, who was speaking at the opening of the Cabinet Secretaries Leadership Seminar in Ottawa, Canada, on 5 July 2004, urged the public service to maintain its focus on core values of service to the community and to adopt business practices and principles, besides promoting partnerships with the private sector. He commended Canada for being a model for the development of a non-politicised professional public service. Drawing on this example, he stressed the need for constant reform, with improvements in efficiency and cost-effectiveness of public service delivery mechanisms across the Commonwealth.

“Canada has shown that the institutions of effective democracy and good governance have to be and can be nurtured by a competent civil service, which remains a dominant player and a driving force in national development. Its performance is central to all facets of a country’s socio-economic and political development,” said the Deputy Secretary-General at the seminar co-organised by the Commonwealth Secretariat’s Governance and Institutional Development Division and the Public Policy Forum of Canada.

The 15 heads of Public Services from across the Commonwealth who participated in the meeting discussed various issues including the implications of political appointments on the professionalism and neutrality of the public service. They recognised the importance of maintaining a politically neutral public service, which is fundamental to safeguarding the democratic institutions of government. The delegates agreed on the need to strengthen public service capacity to manage the smooth transition of governance during a change in government, and acknowledged the role of the public service in facilitating continuity during the transition from one political party to another. They discussed the importance of clarity, sustainability and feasibility of public service programmes and the capacity to implement them. The participants noted the impact of conflict on public service structures and human resources, and the need to accelerate development of the senior civil service cadre.

ENHANCING THE CORE VALUES OF PUBLIC SERVICE

Public service organisations have to focus on the core values of public service, adopt business practices and principles, and promote private sector partnerships in the face of globalisation and economic liberalisation, says Commonwealth Deputy Secretary-General Winston Cox. Speaking ahead of a four-day seminar on ‘Public Service Leadership and Management: The Critical Role of the Head of the Public Service’ from 5 to 8 July 2004 in Ottawa, Canada, Mr Cox stated: “Effective democratic institutions and good governance have to be nurtured within a competent civil service, which remains the most dominant player and driving force in national development. Its performance is central to all facets of a country’s socio-economic and political development.”

The Deputy Secretary-General said public service organisations have to improve their services through constant re-evaluation and reinvention of the nature of the public service business and the delivery mechanisms within organisations. Support programmes have to be developed for heads of public services to manage the changing dynamics as the sector undergoes reform. “The public that we serve demand a right to be informed, a right to make choices and they are not prepared to accept sub-standard service. They demand and expect the highest level of professionalism, commitment, and timely delivery of quality services. This means that public services are constantly under public scrutiny and the challenge is to close the gap between our current performance and expected performance.”

Mr Cox pointed out the transformation of the public service today, with greater accountability by senior civil servants who are often called upon to explain and justify themselves to those they lead, serve or represent. He stressed the importance of public service leaders who can lead their organisations to unprecedented performance levels. The seminar, organised by the Governance and Institutional Development Division of the Commonwealth Secretariat and the Public Policy Forum of Canada, is designed to promote strategic thinking and management among the heads of Commonwealth public service organisations. Some of the topics on the agenda include delivering government policy, developing policy capacity, performance management, political interference, attracting talent, and ethnic and gender diversity in public service. The meeting will provide a platform for the sharing of ideas, information and experience among senior officials. Presentations, case studies and expert resources will be employed to stimulate discussion and debate among the participants.

NEW PUBLICATION: 'INVESTING IN BOTSWANA'

Maximising yields in agriculture, diversifying sources of energy and expanding the frontiers of tourism in Botswana -- these and other business opportunities in this Commonwealth country are highlighted in 'Investing in Botswana', a new publication by the Commonwealth Business Council (CBC). This investment guide, produced with the support of the Botswana Export Development and Investment Authority, focuses on areas with potential as Botswana diversifies its robust economy.

"Botswana is a country that, since independence, can boast strong democratic stability, a highly educated workforce and the fastest growing economy in Sub-Saharan Africa. It remains one of the wealthiest, most stable countries on the continent. The new millennium sees Botswana's economy continuing to grow rapidly, with non-mining sectors expanding as a result of exchange control liberalisation, reduction of personal and company taxes, and the hiving-off of many government activities to the private sector," says Dr Mohan Kaul, chief executive of the CBC, in a foreword of the publication. The book notes the Botswana Government's strategy to promote economic diversification and global competitiveness through partnership with the private sector.

"The country's healthy national income from its substantial and sustained diamond exports has been put to productive use, with sound investments in social and physical infrastructure, in rapid reduction of poverty levels and in diversification of the economic base," says publisher Atam Sandhu. "Botswana has established an unassailable track record for effective macroeconomic management backed by strong political institutions, with a remarkably low incidence of corruption."

With growth averaging 6.4 per cent annually over the past five years, Mr Sandhu believes Botswana can have confidence in the success of its long-term strategy of sustainable development, employment growth and poverty reduction.

PROMOTING INVESTMENT STRATEGIES IN FINANCIAL SERVICES

Central bank governors from more than 20 Commonwealth and non-Commonwealth countries convened at a major banking and financial services conference organised by the Commonwealth Business Council (CBC) in London, UK, from 22 to 23 June 2004, which saw the participation of regulators and finance professionals discussing strategies to maximise returns on investment.

CBC chief executive Dr Mohan Kaul said: "This Commonwealth event was unique in bringing a global grouping of central bankers together with financial services sector leaders. With the uncertainty currently clouding interest rates, oil prices and currency values worldwide, the timing

was crucial. "The banking industry worldwide is undergoing a period of transformation with major implications for the sector in emerging markets. This symposium marked an important occasion to assess the most pressing issues and address their impact on the developing world."

Key issues that came under scrutiny at the conference included strategic business development, the Basel Accord and the Anti-Money Laundering Regulation. The Accord is the document published by the Basel Committee to promote the supervision of internationally active banks. The committee formulates broad supervisory standards and guidelines for banking organisations in member countries and recommends statements of best practice in the expectation that individual authorities will take steps to implement them through detailed arrangements -- statutory or otherwise -- which are best suited to their own national systems.

The meeting also addressed consolidation and liberalisation in the banking sector and its technological transformation. Current pressures to maximise returns on investment were the highlight of discussions on sustainable innovative strategies of commercial and central banks.

Speakers at the two-day meeting included Kundapur Vaman Kamath, CEO of ICICI Bank, India, who spoke on key strategies and issues impacting on profit growth and performance in financial services in emerging markets. Other key speakers were Christopher Rodrigues, President and CEO of Visa International; and Professor Charles Soludo, recently appointed Governor of the Central Bank of Nigeria and also Deputy Secretary-General of the Basel Committee on Banking Supervision.

Dr Kaul said: "With emerging markets heavily represented at the conference by central bank governors and financial players, the symposium offered an important opportunity to highlight and debate the impact of the Basel II process on the developing world."

COMMERCIAL BENEFITS OF SUPPORTING SMALL AND MEDIUM ENTERPRISES

The commercial benefits of supporting small and medium enterprise expansion in developing countries is one of the topics on the agenda of a workshop on 'Corporate Citizenship in Action: Best Practice and the Millennium Development Goals' on 14 and 15 July 2004 in London, UK.

The high-level workshop, organised by the Commonwealth Business Council and the Royal Institute of International Affairs, explores how donors and host governments can best support the development of effective private sector approaches to tackling poverty. Its outcomes will form the basis of projects for the sharing and dissemination of best practices in corporate citizenship through capacity-building in selected developing countries.

The workshop will identify possible private sector roles in helping the international community deliver the United Nations Millennium Development Goals (MDGs). These include eradicating extreme poverty and hunger, promoting gender equality and developing a global partnership for development. The meeting is intended to help businesses, governments and other stakeholders prepare for the UN's 'MDGs+5 Summit' in September 2005 that will review international progress in socio-economic development.

Other issues to be debated by workshop participants include 'bottom of the pyramid' business models for delivering goods and services to the poor; and the benefits and challenges of developing multi-stakeholder partnerships for the delivery of basic services to the poor, particularly the role of the private sector in delivering energy, water and sanitation. Keynote speeches were delivered in the opening session on 14 July by Lakshman Kadirgamar, Sri Lanka's Minister of Foreign Affairs; Sir Mark Moody Stewart, chairman of Anglo American plc, a global mining and natural resources company; and Richard Sandbrook, International Co-ordinator for the United Nations Development Programme.

COMMONWEALTH CONTRIBUTES TO GLOBAL AGENDA

The UK Government plans to try to establish connections between its objectives for its 2005 presidencies of the European Union and the G8 industrialised countries with some of those of the Commonwealth. Chris Mullin, the UK's Parliamentary Under-Secretary of State at the Foreign and Commonwealth Office, who delivered a speech at the Council of Commonwealth Societies Meeting in London on 19 July 2004, said: "We are working to try to ensure that the themes of our presidencies will resonate at next year's Commonwealth Heads of Government Meeting (CHOGM) in Malta and have an impact on the international agenda in areas that we consider important."

Mr Mullin stated that his country values the positive contributions of the Commonwealth to the global agenda. "The Commonwealth remains one of the key organisations where we can seek consensus for co-ordinated international action on issues that concern us like terrorism, the abuses of human rights and sustainable development. We hope that at the Malta CHOGM, Heads will review the United Nations Millennium Review Summit's outcomes and determine how the resources of the Commonwealth can contribute to helping achieve the Millennium Development Goals and make a difference to the lives of its members. The Action Plan that emerged from last year's Conference of Commonwealth Education Ministers in Edinburgh, UK, provided a good template for how the Commonwealth can focus its resources on a co-ordinated contribution to these Goals."

The Action Plan includes achieving universal primary education; eliminating gender disparities in education; improving quality in education; using distance learning to overcome barriers; supporting education in difficult circumstances; and mitigating the impact of HIV/AIDS in education. Mr Mullin stressed that it was vital for co-ordinated international action next year to provide new impetus to the Doha Development Round. He believed that the diversity of the nations of the Commonwealth will ensure that it continues to provide a valuable forum to push this agenda forward.

He said solidarity with the Commonwealth must be continually renewed. "The emphasis must be on maximising the Commonwealth's acknowledged areas of excellence and expertise, and delivering them better through effective partnerships between governments, the public sector and civil society, including young people. We all know the Commonwealth's particular strengths, neatly summarised by the promotion of the three Ds-- democracy, development and diversity. We need to build collectively to ensure that these continue to be its strengths through a fourth Commonwealth 'D' --delivery."

Mr Mullin noted that the Commonwealth's coalition of governments, private sector and civil society was increasingly working together to carry out the mandates and action plans of CHOGM and other Commonwealth ministerial meetings. He also noted their combined dedication, energy and resources have helped to translate plans into practical programmes. Mr Mullin said he was encouraged by the increase in collaboration between the Commonwealth's non-governmental organisations and professional associations, and the Commonwealth Secretariat. He said the Commonwealth's civil society "has produced some of the most innovative thinking that has shaped the Commonwealth's values and institutions. We have seen an increased profile for the hugely important challenge of engaging young people in the work of the Commonwealth. This has been led, not only by government or Secretariat programmes, but also by the committed drive of the Commonwealth's own youth organisations, seizing the initiative and devising new and effective ways to engage young people. I hope that you will not lose this creativity that so helps the Commonwealth renew itself and retain its relevance."

MAXIMISING COMPETITIVENESS OF SMALL STATES

A competitiveness strategy is vital for small states as their size and, in some cases, the lack of natural resources make them vulnerable to sudden changes in external market conditions, says Malta's Minister for Competitiveness and Communications, Censu Galea.

Mr Galea was speaking at the launch of a workshop on 'Maximising the Competitiveness Potential of Small States', in Gozo, Malta, from 14 to 17 July 2004. The meeting was jointly organised by the Governance and Institutional Development Division (GIDD) of the Commonwealth Secretariat and the University of Malta. The Minister observed that many small states depend heavily on imports for their consumption and investment needs. He stated: "This openness can result in a high degree of vulnerability to external shocks if the economy is only competitive in a few niches, such as tourism and financial services, that are susceptible to sudden changes in market conditions. On the other hand, such openness can become a source of economic resilience if it is backed by a strong competitive position that provides resistance against external shocks and allows successful participation in markets that are spread over different geographical regions and over a varied range of products and services."

Dr RoseMarie-Rita Endeley, Senior Programme Officer at GIDD, said small states face a number of constraints which limit their capacity to compete with larger states. "Small states are the ones that depend most on international trade due to the small size of their domestic market. They are also the ones that face serious disadvantages in meeting the competitiveness challenge. The Commonwealth is concerned with building capacity in small states to enable them to compete effectively in the international arena," she stated. The workshop was funded by the Commonwealth Fund for Technical Co-operation, the development arm of the association. The Commonwealth supports efforts by small states to adjust to changes in the global trade and investment environment.

NEW PUBLICATION: 'COMPETITIVENESS STRATEGIES FOR SMALL STATES'

'Competitiveness Strategies for Small States' draws on the expertise of authors from small states around the world to share their insights on the competitiveness of their countries. Many small states face constraints that make it hard for them to compete with larger states, while they depend mostly on international trade due to the small size of their domestic markets. What are the disadvantages they face in meeting the competitiveness challenge? Why does it cost more to do business in small states? "It seems paradoxical that, given this reality, some states have managed to compete in the international arena, even in a liberalised trade regime. Some developing states have managed to do much better than larger ones," says Professor Victor Ayeni, Director of the Governance and Institutional Development Division of the Commonwealth Secretariat in a foreword.

The authors attribute this success to good governance involving the awareness of the disadvantages of the small size of the state and the adoption of policies to minimise or withstand such disadvantages. They also examine the difficulties faced by small states if they are forced to adopt World Trade Organisation rules relating to the dismantling of import tariffs, the removal of fiscal incentives to attract foreign direct investment, and the limitations on the ability of governments to continue supporting the local manufacturing sector. This publication focuses on sound macroeconomic fundamentals and institutional frameworks. The issue of international trade negotiations is raised including the issue of granting special treatment to small states. The

measurement of competitiveness and the influence of various actors and dimensions within the economic and social milieu are also discussed.

ECONOMIC DEVELOPMENT CRUCIAL TO PEACE AND STABILITY, SAYS COMMONWEALTH SECRETARY-GENERAL

Economic development can contribute greatly to peace and stability, apart from politics and diplomacy, said Commonwealth Secretary-General Don McKinnon at a speech delivered at the Royal College of Defence Studies in London, UK on 23 July 2004. The Secretary-General said: "Sound economic development and strong trade relations can prove powerful ingredients of stability and antidotes to conflict. If the stability of your economy and the wellbeing of your population depend on trading with your neighbour, you will think twice about going to war with them."

But Mr McKinnon stressed that trade will only work as a force for peace if it is fair. He pointed out that many developed countries have failed to remove trade barriers unlike their counterparts from the developing world. "In precisely those sectors where developing countries have a comparative advantage such as agriculture and textiles, developed countries have protected themselves through both tariff and non-tariff barriers, and extensive systems of domestic subsidies resulting in dumped exports."

The Secretary-General said developed nations can help developing countries by giving the latter access to their markets. He cited World Bank estimates that more than 140 million people could be lifted out of poverty by 2015 if the developed world opened up their markets to products from the developing world. Mr McKinnon said Commonwealth trade ministers recognized that a breakthrough in agriculture is crucial for the successful conclusion of the Doha Development Round. "Rich countries must realize that opening their markets to the developing world and lowering trade subsidies is in everyone's interest. Phasing out subsidies would reduce the real cost of products to consumers in the developed world. The money governments would save on subsidies could be invested in health, education and public services and could also translate into lower levels of taxation."

The Secretary-General emphasized that cutting subsidies and allowing developing countries to trade their way out of poverty would bring more stability to the world. "Real progress will only be achieved if all players show political courage and commitment to negotiate in good faith. Living in an interdependent world, we must recognise that tackling global poverty is not only a moral imperative, but also a political one. We can't make the world more stable and more secure if we don't start by making it more just."

Mr McKinnon explained how the Commonwealth has been promoting development in member countries through the Commonwealth Fund for Technical Co-operation (CFTC). Some of the projects include advising governments on how to attract investment to exploit natural resources. CFTC experts helped the Government of Namibia to negotiate agreements with international oil companies for offshore exploration projects worth over US\$100 million. Through a Debt Recording and Management System, the Secretary-General said CFTC has helped Commonwealth countries to manage debt flows and improve transparency. He noted that the Commonwealth Private Investment Initiative helped to raise more than US\$200 million for projects in developing member countries in Africa, the Caribbean, the Pacific and South Asia. The Commonwealth also helped 500 young people – three quarters of whom were women – to set up their businesses by providing training and brokering funds. More than 6,000 public officials also benefited from training in managerial skills to improve delivery of public services.

Mr McKinnon concluded: "It is up to us to make sure that tomorrow's world will not be worse than today's. I believe the Commonwealth is ideally placed to play a part in that process."

NEW PUBLICATION: 'A PROFILE OF THE PUBLIC SERVICE OF MALAYSIA'

How far has Malaysia come in public sector reform in the past decade? What improvements have been made in policy formulation and implementation? How much has been achieved in financial management and efficiency and effectiveness of its public services?

These developments are addressed in a revised and updated country profile on Malaysia's Public Service and its achievements since the launch of the Commonwealth Profiles series in 1995. 'A Profile of the Public Service of Malaysia – Current Good Practices and New Developments in Public Service Management', published by the Commonwealth Secretariat, focuses on the twin tasks of socio-economic development and nation-building. The book looks at the direction and strategies of public sector administrative reform through Vision 2020, which aims to transform Malaysia into a fully developed nation by 2020.

The 1990s saw the public service oversee the transition of socio-economic development under the New Economic Policy (1970-90) to the New Development Policy (1991-2000) and the current National Vision Policy (2001-10). The public service has actively pursued administrative improvements to enhance its capacity and capability to help Malaysia face the realities of globalization. This has had an effect on the liberalization of international trade, free financial flows, information and communications technology (ICT) and the emergence of the knowledge-based economy.

The administrative reform efforts focused on include public sector administration and management such as human resource management, ICT, quality management, accountability and management integrity, financial management and public-private sector co-operation. These factors have been instrumental in the Government of Malaysia's initiatives and strategies to spur economic growth, particularly in the aftermath of the Asian financial and economic crisis of the late 1990s and the global uncertainties of the new millennium.

WTO TRADE DEAL OFFERS SOME HOPE FOR WORLD'S POOR

Commonwealth Secretary-General Don McKinnon has urged the world's trading powers to deliver quickly on their latest promises to the poor. Commenting on 2 August 2004 on the 11th hour trade deal struck in Geneva over the weekend, he said: "It is encouraging that the 147 members of the World Trade Organisation were able to sign up to a framework agreement that has brought the Doha Round negotiations back on track after the disappointment at Cancún. A repeat of Cancún would have undermined trade talks for years to come and deprived the international community of its most potent weapon for combating global poverty. I see grounds here for cautious optimism. It has opened up the opportunity to reach agreement on a Trade Round that delivers the Doha Development Agenda and to create a new set of trade rules that are significantly less unfair on the world's poor. We are hearing the industrial countries say that they will eliminate their agricultural subsidies, which amount to \$350 billion per year -- almost \$1 billion per day. These subsidies rob farmers in poor countries of decent livelihoods, and burden consumers in industrial countries with higher taxes and food prices."

But the Secretary-General warned: "The framework agreement is only the end of the beginning, and there is a long way to go before one can be confident that a true Development Round will be delivered. While the offer of an initial down payment of 20 per cent by the major players is

encouraging, we need to have firm commitments and an ambitious timetable for the elimination of agricultural subsidies before there is cause for real celebration.”

Mr McKinnon said the promise of progress on cotton was encouraging. “The US offer to take action on its cotton subsidies is a major advance. Here again, we need a firm commitment to a timetable that will bring early benefits to some of the poorest countries in Africa. Beyond agriculture, more must be done on industrial products, services, trade facilitation and special and differential treatment. This will require negotiations on the final deal to be infused with a spirit of generosity. We need to move away from a culture of delay and obfuscation and from seeking to extract maximum political advantage from the smallest of concessions.”

ENTERPRISE DEVELOPMENT AND NEW PUBLICATION: ‘A PROFILE OF THE PUBLIC SERVICE OF INDIA’

To what extent has public sector reform been implemented in India in the past 10 years? What is the level of success achieved through various administrative reforms in the state and federal governments? These developments are addressed in a revised and updated country profile of India’s Public Service and its achievements since the launch of the Commonwealth Profiles series in 1995. It was the time when the principles of New Public Management were at an early stage of adoption in the civil services of Commonwealth countries.

‘A Profile of the Public Service of India – Current Good Practices and New Developments in Public Service Management’, published by the Commonwealth Secretariat, looks at the structure and character of India’s Public Service. It examines human resource management and efforts at enhancing efficiency and innovation. This includes corporatisation and outsourcing. Record management and documentation are also focused on as well as improvements in public services through greater accountability, integrity, transparency and access to information.

Over the years, the Government of India has initiated a wide-ranging programme of economic reform, liberalisation and structural adjustment. The public sector has become less dominant with the decline in government ownership in many existing public sector organisations. The recent constitutional amendment to limit the size of central and state ministries is aimed at the rationalisation of functions and portfolios of public sector organisations. This book also examines the extent of electronic governance in India since the introduction of an information and communications technology policy in 1998.

Public servants, diplomats, politicians and academics will find this book a useful reference for public sector reform.

CIVIL SOCIETY CALLS FOR BETTER TRADE AND FINANCE POLICIES

Several civil society organisations have urged Commonwealth finance ministers to advocate for financing mechanisms that would compensate countries undertaking trade liberalisation measures. Thirty civil society representatives from 20 Commonwealth countries participated in a consultation from 26 to 29 July 2004 in London, UK, on the forthcoming 2004 Commonwealth Finance Ministers Meeting (CFMM). They put forward the above as well as other proposals in a statement to be delivered by two civil society representatives to the finance ministers when they meet in St Kitts and Nevis on 29 September.

The July consultation, organised by the Commonwealth Foundation in preparation for CFMM, also involved members from international policy research organisations. Delegates exchanged

views on the 2004 CFMM theme, 'Capacities of International Financial Institutions to Support Trade Liberalisation in Low-Income and Vulnerable Countries'. A number expressed concern about the 'asymmetry' of the global trading system, suggesting that multilateral organisations had not paid enough attention to how liberalisation has widened the gap between countries due to an imbalance in benefits from trade and economic development.

"Participants also noted the increasing challenges many developing country governments face in formulating their own policies due to the growing influence of international financial institutions and certain constraints of the multilateral trading system," said Rudo Chitiga, Deputy Director of the Commonwealth Foundation. "They advocated a greater role for national stakeholders, including the private sector, trade unions, small and medium-sized enterprises and civil society organisations in formulating national trade and investment policies."

The meeting also discussed how the Commonwealth could enhance civil society monitoring of the United Nations Millennium Development Goals. The meeting's recommendations will be part of the official documentation for the 2004 CFMM.

AFRICAN PARLIAMENTARIANS TALK PEACE, DEMOCRACY AND TRADE

The role of parliament in preventing and combating international terrorism was among the topics on the agenda of a conference of Commonwealth African parliamentarians, which ended recently. The 35th African Regional Conference of the Commonwealth Parliamentary Association (CPA) brought together more than 100 members from 28 African national, state and provincial legislatures. They met in Swaziland from 7 to 15 August 2004 to confer on the theme of 'Peace, Sovereignty and Democracy'.

At the opening ceremony, HM King Mswati III of Swaziland called for the continuation of preferential access to markets for African goods. He warned that the removal of such access would cause major loan repayment problems, impede economic growth and force African nations to rely on aid instead of trade.

The 2005 African Regional Conference will be in Cameroon.

NEWS FROM MEMBERS

AUSTRALIA

**Country Correspondent:
Ms Pam Mitchell**

Implementing the Easier Cheaper and More Personalised Program

It is to be expected that smoothly implementing a large scale program of change in a national tax administration organisation will present a considerable challenge.

‘It is a huge task,’ said Assistant Commissioner Andrew Waite, ‘but the Australian Taxation Office has a record of achievement in change management. In the past we have managed changes to our administration, and community expectations of new tax systems.’

The Easier, Cheaper and More Personalised Program involves the design of new systems, tools and processes to make our clients’ and staff experiences easier, cheaper and more personalised.

While it starts with improving client experiences, a major element of the program is the roll out of new technology solutions to our staff. We are looking to replace our current range of systems with more comprehensive technology complemented by enabling software allowing the systems to work together. This will build a more comprehensive picture of our clients that will allow staff to provide differentiated services for each client.

Recently we have been working on high level program design. This work will be finalised later in the year, when we make a final decision on the technology solution we will implement. We’ve already made a series of software package decisions in a range of areas such as a Client Relationship Management system, content and document management systems, and correspondence software. These systems will allow us to personalise our communication with clients; view client letters, emails, and prior contact with us; and allow us to view a more complete picture of our clients to offer them more personalised service.

As part of the high level design process we have been planning the roll out of technology changes and seeking endorsement from various areas of the office. We are negotiating widely with different business areas to make best use of our corporate knowledge and ensure we generate support from key areas which is essential to implementation.

While we have been in this high level process we have also delivered some fast-track priority activities in order to improve the experiences of our clients and get some early runs on the board. These products include the Tax Agent Portal, the Business Portal, and an interim Client Relationship Management tool for tax agent practice managers, simpler letters and improved phone services. ‘These two processes - the development of the design and the delivery of fast-track priority issues - will merge when we start the large-scale implementation of the program beginning later this year and running over the next three years,’ Andrew explained. ‘New products and services will be released approximately every six months, with some major changes scheduled right out until 2006.’

All of this work will be carried out in consultation with both Tax Office staff and our clients, and extensive support will be provided. The Change Program will affect our staff and our clients in different ways. ‘It’s my role to ensure people understand the changes and know what to expect.’

Andrew said 'A key aspect of this is to ensure people using the new products receive adequate information, training and support.'

'For me this job is an exciting challenge. This program affects the whole of our business and we must ensure that all of our systems work in harmony in delivering improved client and staff experiences. Smooth integration is the key to providing sensible, consistent service to our clients. We can achieve this best by working together and drawing on the knowledge and experience of our people and our clients' said Andrew.

Integrity in the Australian Taxation Office

As a public sector organisation the Australian Taxation Office has an obligation to treat, and be seen to treat, all citizens objectively and fairly and must have the confidence of the Australian public in order to successfully administer the tax system. We also have legislative obligations for the efficient, effective and ethical use of resources. In achieving these obligations, we expect our employees to act ethically and with integrity in all respects. Therefore we clearly set out that the performance of duties must reflect high personal standards and professionalism, including honesty, objectivity and high standards of propriety and probity in the stewardship of public funds and management of the ATO. These high levels of integrity and probity allow the ATO to maintain community confidence and trust, which in turn leads to high levels of voluntary compliance. We shape and manage our administrative systems in accordance with our Compliance Model which recognises that most members of the Australian community are honest and are committed to complying with their obligations. The strength of this community commitment is a function, in part, of the internal integrity of the ATO and the community's perception of this integrity.

In the ATO integrity means:

- working in conformity with the law,
- upholding and promoting the Australian Public Service (APS) Values and conforming with the APS Code of Conduct,
- conforming with Commonwealth and ATO policies,
- ensuring outcomes and the administrative treatment of our clients is consistent with our Taxpayers' Charter and Compliance Model,
- exercising legal and administrative discretions in the public interest after obtaining a full understanding of the facts in a respectful and empathic way,
- administering revenue measures on the basis of the intent as reflected in the legislation passed by the Parliament, and
- acting coherently so that the community feels that it is dealing with a single organisation that always provides consistent advice and treatment.

The ATO's Integrity Framework describes the models, instruments, mechanisms and/or arrangements that enable us to meet these standards. These arrangements are designed to make integrity visible in the ATO by explicitly ensuring we consider integrity in our decision-making and that we can demonstrate the measurable impacts of our integrity improvement strategies. These key arrangements are embedded throughout the broader ATO Governance Framework so as to ensure we apply and practice integrity in our administration. That is, the Integrity Framework draws together and expands on the integrity elements embedded in the Governance framework. By taking this integrity view of our business we can define those behaviours that will sit over the policy, processes

and procedures that form the structure of how we implement our work in accordance with our values and ethics – reflecting our integrity.

Review of Self Assessment

In November 2003 the Treasurer announced the review of aspects of income tax self assessment. The review is examining six aspects of the current income tax self assessment system. They are:

- the level of reliance that taxpayers can and should be able to place on tax office advice
- the proper time frame for amending assessments
- the appropriateness of the length of audits
- the circumstances in which the tax office should undertake earlier examination of tax returns
- the taxpayers are adequately protected from unreasonable delays in enforcing the tax law, and
- aspects of the operation of the general interest charge.

The Tax Office assisted a team in Treasury by providing comprehensive data about the administration of the tax system and providing preliminary views on improving taxpayer certainty and lowering compliance costs.

CYPRUS

**Country Correspondent:
Mrs Athina Stephanou**

JOINING THE EUROZONE

One of the main objectives of the Cyprus government in the recent years was to join the European Union, a target that has been achieved due to a great effort and hard work. This led to many legal and administrative changes. As a result of the accession to the EU the Cyprus government has now set a target to join the Eurozone by 2007. Therefore it has concentrated on the reduction of our deficit which is around 6% of the GDP to 1.6% by 2007 and the reduction of the government debt. The measures taken to achieve the target in relation to Direct Taxation are:

- a)to visit taxpayers, to ensure the use by them, of cash registers with tax memory as provided by regulations issued in the past. The effect of this is to improve compliance in relation to declaration of income;
- b)to increase the fines and penalties imposed for non-compliance;
- c)to give tax concessions to persons who have not declared their income in the past, with the aim of raising funds and future compliance;
- d)to introduce the electronic submission of tax returns (see Cyprus contribution, June Newsletter);

e) to increase the efficiency of the Inland Revenue Department in the collection of taxes.

AMENDMENT OF THE ASSESSMENT AND COLLECTION OF TAXES LAW

Recently the Assessment and Collection of Taxes Law has been amended with effect as from 1st January, 2005 as follows:

i) there is no limit to the penalty imposed on the delay of payment of PAYE by employers. Until 31.12.2004 there was a penalty of 1% per month of delay of payment with a limit of up to 11%;

ii) both legal and physical persons that assist a taxpayer to make false declarations are guilty of an offence. Until 31.12.2004 only a physical person was guilty of a such an offence;

iii) a person who deliberately makes a false declaration or a person who assists a taxpayer to make false declarations, if convicted by the court, can be charge a penalty of up to £10,000 (previously £1,000) or/and imprisonment of up to 5 years (previously 3 years);

iv) if a person deliberately makes a false declaration, the court can impose a penalty up to 4 times (previously 2 times) the tax due;

v) a person who delays in submitting his return or other required data/records is guilty of an offence and can be charge, if convicted in court, with a penalty of £10 per day (previously £5 per day) and/or 12 months (previously 6 months) imprisonment;

vi) a person who unjustifiably omits to declare his full income is guilty of an offence and can be charged, if convicted in court, with a penalty of up to £2,000 (previously £500).

vii) a person who deliberately does not pay his taxes is guilty of an offence and if convicted in court, can be penalised with a penalty of up to £1000 (legal person), or £500 (physical person). In the case of a physical person imprisonment of up to 6 months can be imposed or both the penalty and imprisonment (new article).

viii) taxes agreed after an objection must be paid within 3 months. If not, a person is guilty of an offence and is subject to the sanctions, if convicted in court, in vii above. Furthermore the person remains liable to pay his taxes (new article).

ix) if the non-payment of taxes is committed by a company and a director of the company is responsible for the non-payment, he is guilty of an offence and, if convicted in court, a penalty of up to 20% of tax due can be imposed; where the tax due is greater than £1,000, in addition to the above penalty the director can be imprisoned for up to two years or both sanctions can be imposed (new article).

x) if an individual is under examination with a capital statement and there is suspicion that declarations regarding bank accounts are false, the Director of IRD can apply to any bank for comparison of data held. If there is evidence that the taxpayer did not declare all his bank accounts the Director can apply to the court for the issue of an order for the lifting of the bank secrecy law (new article).

xi) the above procedures at (x) can apply in the case of examination of accounts of a company and the procedures are taken against a director of a company that exercises management duties.

AMNESTY

On the 2nd of July 2004 an Amnesty Law has been passed in Parliament. This will be in force until the end of December 2004 and is administered by a special committee appointed by the Council of Ministers.

Persons who did not declare all their income or profits up to tax year 2002 and the income or profits not declared (a) are deposited in bank accounts in Cyprus or abroad (b) have been turned into capital either in Cyprus or abroad (c) have been spent up to 31.12.2002 either in Cyprus or abroad, can avail themselves of this amnesty by 31.12.2004. If declared by 30.9.2004 the payment of tax to the special committee will be 5% of income/profits not declared; otherwise it will be 6.5%.

SPECIAL TRAINING IN NEGOTIATING SKILLS

In co-operation with the Cyprus Academy of Public Administration all tax collectors have undergone a special training to improve their negotiating skills in collecting taxes. Furthermore all collectors participated in workshops the outcome of which was to present suggestions to Management on improving its policy with regard to the prompt collection of taxes. Some of the suggestions were the reduction of the number of instalments for the repayment of taxes and the elimination of repayment by instalment of PAYE and tax per declaration.

It is expected that the result of the training workshops will assist in reducing tax arrears and minimise the creation of arrears in the future.

GHANA

**Country Correspondent:
Mr Sly Doggu**

CHANGES IN GHANA'S TAX ADMINISTRATION & TAX LAWS

New Appointment

Mrs Phyllis D Nattey, who has been acting as the Deputy Commissioner in charge of Operations, has been confirmed substantive Deputy Commissioner, Operations with effect from 1 January 2004.

Industrial Concessions

(i) Agro-Industry

New provisions have been introduced in the Ghana Tax Laws to give a boost to companies engaged in agro-processing business.

With effect from 1 January 2004, the income of a company from agro-processing business established in Ghana is exempt from tax for a period of five (5) years of assessment.

Similarly, the income of a company which produces on commercial basis, cocoa by-products derived from sub-standard cocoa beans, cocoa husks and other cocoa waste as its main raw material is exempt from tax for a period of five (5) years of assessment.

Concessionary tax rates are also being applied to the chargeable income of such agro-processing companies and companies producing cocoa by-products from cocoa waste. The rates range from 0% to 20% depending on the location of the business.

(ii) Waste Processing

Companies whose principal activity is the processing of waste including recycling of plastic and polythene material for agricultural or commercial purposes is also exempted from tax for a period of seven (7) years of assessment from the date of commercial production.

(iii) Stock Market

As a means of encouraging the development of the Ghana Stock Exchange, companies fully listed on the stock market from 1 January 2004 and thereafter have been granted a concessionary tax rate of 25% for the first three (3) years.

Penalty Regime

Hitherto, the Internal Revenue Act 2000 (Act 592) as amended which governs income taxation in Ghana, prescribed a penalty for late filing of returns and late payment of tax pegged on the Bank of Ghana Re-discount rate. Ostensibly this was aimed at off-setting the perennial inflationary trend in the country.

Implementation of the provisions of the Act however proved cumbersome due, in the main, to problems of obtaining, timeously, the Bank of Ghana Re-discount rates, daily, throughout the country.

An Amendment Act 669, effective April 2004, has simplified the penalty regime. The law now imposes a penalty of one penalty unit (¢20,000) in the case of a company and half a penalty unit (¢10,000) in the case of a self-employed person in respect of each day during which the default in filing returns continues. Penalty units are adjusted from time to time in the local currency terms. This effectively takes care of inflationary trends.

A flat rate of 10%, 20% or 30% is imposed for late payment of tax, depending on the duration of default. The rate of 10% is applicable on the tax payable for late payment of tax for periods not exceeding three (3) months while 20% is applied for periods exceeding three (3) months. Higher rates of 20% and 30% respectively are applicable in the case of withholding taxes.

Increased Tax Collection

With the assistance of the US Treasury Department the Internal Revenue Service, Ghana has come out with a New Collection Manual which effectively addresses the chronic problem of delinquent taxpayers and non-filers. The US Treasury also provided assistance in developing a taxpayer/customer service programme to increase taxpayers' voluntary compliance with their tax obligations.

Implementation of the Manual on pilot basis in some tax Districts has resulted in doubling of collection.

JAMAICA

**Country Correspondent:
Miss Meris Haughton**

TO INTRODUCE ALTERNATE PAYMENT METHODS

The Jamaica Tax Administration will soon be introducing alternate payment methods aimed at improving service delivery. Customers of tax offices will be given choices in the payment of some taxes, as Third Party Collection Agencies (TPCA) will be utilized to collect specified taxes. The TPCA will allow taxpayers to pay these taxes at places other than tax Collectorates, which at certain times of the month require longer waiting periods. The implementation of this new method of collection will be done in phases and the first phase will commence with the collection of property taxes and traffic fines.

This move is intended to:

- Reduce waiting time for customers.
- Encourage a greater level of voluntary compliance.
- Ease the burden on tax Collectorates/Tax Offices.
- Free up staff to deal with compliance activities.

SPECIAL TAXPAYER SERVICE PROGRAMME

During the lead up to the recent Income Tax filing period, the Jamaica Tax Administration offered a special taxpayer service programme to small business owners, professionals and self-employed persons in completing and filing their income tax returns, to meet the 15 March deadline.

Over one hundred (100) temporary service sites were set up in community centres, church halls, libraries, courthouses, shopping centres, police stations and other locations across the island.

The programme recorded reasonable success with almost 1500 taxpayers utilising the service. In keeping with the objectives of the programme, taxpayers were assisted in completing and filing their income tax returns, provided with relevant tax information to improve awareness and the tax base was widened as new taxpayers were put on record.

JAMAICA REVISES & RENAMES

The Jamaica Tax Administration recently revised its website to be more interactive and user friendly. The new-look website now has available on-line executable tax forms for completion and easy download. Publications and tax advisories are also available. The new web address is www.jamaicatax.gov.jm

NEW TAX MEASURES FOR THE FISCAL YEAR 2004/2005

The Minister of Finance and Planning, Dr the Hon Omar Davies, during his recent budget presentation announced that there will be “NO NEW TAXES” to finance the J\$328.2 billion budget. It is projected that \$155 billion will be collected as tax revenue, an increase of 17% compared to the \$131 billion collected for the Fiscal year 2003-2004.

The projected collections should result from improvements in our administration, as well as legislative amendments aimed at making the various tax collection machinery more efficient.

RECENT PRIVY COUNCIL TAX DECISION

- Town & Country Resorts Limited Case.
- Careras Jamaica Limited Case.

MALTA

**Country Correspondent:
Mr Randolph Aquilina**

DOUBLE TAXATION AGREEMENT - REPUBLIC OF LITHUANIA

The Convention between Malta and Lithuania for the avoidance of double taxation and the prevention of fiscal evasion with respect to income tax that was signed on the 17th May, 2001 has entered into force on 2nd February, 2004 and its provisions will have effect in Malta as from the year of assessment 2006.

The text of this Convention can be accessed on the Internet at:
<http://docs.justice.gov.mt/lom/Legislation/English/SubLeg/123/76.pdf>

DOUBLE TAXATION AGREEMENT – STATE OF KUWAIT

The double tax treaty between Malta and Kuwait was signed on the 24th July, 2002 has entered into force as from the 19th March, 2004. The text will soon be available on the internet at:
<http://docs.justice.gov.mt/lom/Legislation/English/SubLeg/123>

FISCAL EXEMPTIONS TO INSTITUTIONS OF THE EUROPEAN COMMUNITIES

As from the 1st May 2004 (the date of Malta's accession to the European Union) the following institutions of the European Communities have been exempted from payment of income tax:

- (a)European Parliament.
- (b)Council of the European Union.
- (c)European Commission.
- (d) European Court of Justice of the European Communities.
- (e)European Court of Auditors.
- (f)European Central Bank.
- (g)European Investment Bank.
- (h)European Ombudsman.
- (i)Any other body or organisation of the European Communities as may be approved.

Concomitantly, it was also established that Maltese residents working in the above-mentioned institutions and therefore paying community tax shall be exempt from taxation in Malta on that source of income.

FISCAL REPRESENTATIVES

New regulations were issued to provide for the mandatory appointment of fiscal representatives by any European credit institution, European insurance undertaking or European investment firm which seeks to provide services in Malta without having a place of business in Malta and without being resident in Malta.

Electronic Filing of Returns

As had been reported in a previous edition of the Newsletter, the Malta Inland Revenue has introduced the facility of electronic lodgement of company tax returns as well as certain other regularly submitted forms (attachments). The take-up of this facility has been very encouraging – in fact so far in the current year, about 56% of company tax returns have been filed electronically. Plans are now well advanced to provide for the facility of filing personal tax returns also electronically.

THE GAMBIA

Country Correspondent:

Mr Alieu Jarboh

During the course of this year, some tax reforms have taken place covering three major areas:

- (1) The Gambia is now changing its Income Tax Laws which are five and a half decades old. The New Law, which is now in the stage of a draft Bill, would be called the “Income and Sales Tax Act”. Both the Income and Sales Tax and Revenue Authority Bills are expected to be passed into Laws by the National Assembly before December 2004. The two main Revenue Agencies, Customs and Excise and Central Revenue Departments are going to be merged into Gambia Revenue Authority before the end of 2005.
- (2) There is an on-going process utilizing the Services of Consulting Firms in the development of:
 - (a) Taxpayer Education materials and compliance brochures for both the Taxpayers and the tax officers.
 - (b) Automated Information and Networking for the New Tax System (NTS) of GAMTAXNET for Central Revenue and the Gambia Revenue Authority to be.
- (3) In addition to our existing 7 local tax offices, another one was officially opened in Banjul in July 2004. It is called the Banjul Tax Office (BTO), which also houses the Large Taxpayer Unit (LTU). The Head Office is still situated at the Quadrangle and takes care of administration, whilst all local Tax Offices operate the Technical activities on functional organisational lines.

TANZANIA

Country Correspondent:

Mr. Protas H. Mmanda

TANZANIA INTRODUCES A NEW INCOME TAX LAW

1. Introduction

During this financial year (2004/05) the new Income Tax Law became operational with effect from 1st July 2004. The Income Tax Act No. 11 of 2004, which was enacted by Parliament in May 2004, repealed the thirty-year-old Income Tax Law of 1973.

The new law provides a clearer, coherent and structured income tax law that ensures both horizontal and vertical equity to taxpayers. It also provides for ease of tax administration in a competitive globalised economy. The new law aims at expanding the tax base, enhancing tax compliance and deterring all forms of tax evasion and avoidance.

2.Chargeable Income under Income Tax Act 2004

Under the new Income Tax Law 2004, sources of income have been made much clearer as they include taxation of investment income which was not clearly identified under the old Act although it was being taxed indirectly. Therefore chargeable income will now include income of a person for a year of income from any employment, business or investment (sections 7, 8 and 9 of the new law).

In the case of a resident person, chargeable income will be from all sources within and outside the United Republic of Tanzania while in the case of a non – resident person, the person’s income from business, employment or investment will be confined to sources within the United Republic of Tanzania.

2.1Taxation of Income from businesses

A person’s income from a business for a year of income has been defined under S.8 (1) as the person’s gains or profits from conducting the business for the year income. Under the new law, the sources of business income have been expanded and they now include:-

- (a)Gains from realisation of business assets.
- (b)Consideration for accepting a restriction in the capacity to conduct the business.
- (c)Gifts and other ex – gratia payments received by the person in respect of the business.
- (d)Amounts derived that are effectively connected with the business, would otherwise be included in calculating the person’s income from an investment income.

Definition of a business under the new law includes a past, present or prospective business activity. It excludes any other activity that having regard to its nature and principal occupation of its owners, is not carried on with a view to deriving profits.

2.2Investment Income

A person’s income from an investment has been defined as the gains or profits from conducting the investment for the year of income. Investment has been defined as owning of one or more assets of similar nature or that are used in an integrated fashion on similar terms and subject to similar conditions. An investment includes a past, present and prospective investment. It does not include a business employment and owning of assets other than investment assets for personal use by the owner.

Section 9 (2) of the new law includes retirement payments paid by an approved retirement fund, gains from life insurance and net gains from the realization of investment assets as taxable investment income. Similarly any amount derived as a consideration for accepting a restriction on the capacity to conduct investment is regarded as a taxable investment income.

2.2.1Losses from Investment (S.9 (1))

For the purposes of calculating the income of a person for any year of income from an investment other than a partnership or a foreign permanent establishment, there shall be excluded from the taxable income.

- Any un-relieved loss for the year of income of the person from any other business or investment.
- An unrelieved loss of a previous year of income of the person from any business or investment.
- A person may deduct an unrelieved loss, in case of foreign source loss from an investment only in calculating the person's foreign source income from investment.
- An investment asset is treated as realized for a gain or loss when the owner parts with its ownership. Under this new law an investment asset is considered to be realized even when the owner destroys it or when the asset is lost, expired or surrendered.

2.3 Employment Income

Taxation of employment income has been made clearer and more precise under the new income tax law to ensure that all incomes relating to employment are brought into the tax net.

In most cases tax on income from employment will be paid by employers through a withholding tax system commonly known as **Pay As You Earn (PAYE)**. The law defines an employer as a person who conducts, has conducted or has the prospect of conducting the employment of an individual. Under the same law an employee is defined as an individual who is the subject of an employment conducted by an employer.

Tax on gains or profits from an employment income will be paid on the basic pay, certain allowances and benefits in kind such as free housing, provision of education for employees' children and free provision of goods or services which are usually sold to customers. The value of the benefit in kind is generally the market value of the benefit. If an employer provides a motor vehicle for the private use of an employee, this is a taxable benefit to the employee. However if the employer does not claim a deduction for the expenditure, on the vehicle, it is not taxable benefit to the employee under the new Income Tax Law, 2004.

If an employee has more than one employment, the employee must choose which employment is the primary one and all the others will be secondary employments. The employee will inform the Commissioner of Income Tax of both the primary employer and the secondary employers. The secondary employers will withhold tax at the highest marginal tax rate (30%) unless the Commissioner is informed otherwise.

For non-resident employees of resident employers (i.e. temporary employees from outside Tanzania) the income is subject to withholding tax at the rate of 15%, which is final and satisfies the employees tax liability

3. Other withholding Tax Obligations

Certain payments which are chargeable to tax are subject to withholding tax deduction upon payments. The withholding tax is to satisfy the recipient's tax liability. If the withholding tax is non-final, that means that the recipient will be assessed on the total income and the tax deducted will offset the finally determined liability. If the withholding tax is final, that means that the recipient's

tax liability is satisfied by the withholding tax and the recipients do not need to include the payment they receive in their returns of income. A number of payments made to a person under the new law will be subjected to withholding tax at different rates.

3.1 Dividends

The withholding tax rate on dividend is 10%. Dividend paid by a resident corporation listed on the Dar es Salaam Stock Exchange is taxed at 5% of the gross amount. If a corporation distributes dividend to a holding corporation which holds, either directly or indirectly 25% or more of the shares and voting power of the corporation the dividend is tax exempt.

3.2 Interest

Interest payable to a resident financial institution is exempt from withholding tax as such payment is taxed as income from business of the financial institutions. Interest payable by a financial institution to an individual who is not in business is subject to final withholding tax at the rate of 10% of the gross amount. Interest paid by any other person to a resident person is subject to withholding at the rate of 10% non-final withholding tax and paid to a non-resident as final tax.

3.3 Royalties and natural resources payments

Royalty's payments or payments for use of natural resources are subject to a withholding at the rate of 15%. If the recipient is resident, the tax is non-final. If the recipient is non-resident, the tax is final.

3.4 Rent

Rental payments for land or buildings to a resident are subject to withholding tax at a rate of 10%. If the recipient is an individual who is not in business, the tax is final; otherwise the withholding tax is non-final. Payment to a non-resident is taxed at a rate of 15% and the tax is final. Rental income received from all premises not exceeding shs. 500,000/= per year is tax exempt.

3.5 Retirement payment

Payment by an approved retirement fund is subject to withholding at a rate of 10% from a commuted pension, or 15% from regular pension payments. If the recipient is resident the tax is non-final. If the recipient is non-resident, the tax is final.

3.6 Service fees to non-residents

Payment of service fee to a non-resident recipient is subject to a final withholding tax at a rate of 15%. "Service fee" means a payment to the extent to which, based on market values, it is attributable to services rendered by a person through a business of that person or business of any other person and includes a payment for any theatrical or musical performance, sports or acrobatic exhibition or any other entertainment performed, conducted or held.

3.7 Insurance premiums to non-residents

Payments of an insurance premium to a non-resident insurer, is subject to withholding at a rate of 5%.

3.8 Mining Technical service fee

Payment for technical service fee by a mining business to another business is subject to final withholding at a rate of 5%.

3.9 Due date for remittance of withholding tax

Every withholding agent shall pay to the Commissioner the amount of tax withheld **within seven days after the end of each calendar month**. A withholding agent who fails to withhold income tax must nevertheless pay the tax that should have been withheld in the same manner and at the same time as tax that is withheld.

4. Capital Gains Tax

Where a person derives a gain in conducting an investment from the realisation of an interest in land or buildings situated in the United Republic, shall pay income tax by way of a single installment equal to in the case of a resident person, ten percent (10%) of the gain or in the case of a non-resident person, twenty percent (20%) of the gain.

The tax shall be paid before the title to the interest is transferred and the Registrar of Titles shall not register such transfer without the Commissioner's certification that the tax has been paid or no tax is payable.

5. Tax on income from International Traffic Business

The tax applies where a non-resident person receives a payment in conducting a business of land, sea or air transport operator or chartered and no part of that business is conducted through a domestic permanent establishment. The payment is received in respect of passengers who embark or cargo, mail or other movable tangible assets that are embarked in Tanzania other than as a result of trans-shipment, or rental of containers and related equipment which are supplementary to the carriage business. The income tax on the payment is charged to tax at a rate of 5% of the gross payments. A tax certificate signed by the Commissioner showing that the tax has been paid is necessary before the vehicle, ship or aircraft shall be permitted to clear Customs and leave the United Republic.

6. Corporation Tax

Corporation tax rate for both resident and non-resident corporations is 30% of the profits. "Corporation" means any company or body corporate established, incorporated or registered under any law in force in the United Republic or elsewhere, an unincorporated association or other body of persons, a Government, a political subdivision of a government, a parastatal organisation, a public international organisation and a unit trust but excludes a partnership.

TANZANIA INTRODUCES DESTINATION INSPECTION on IMPORTS

A new development in customs administration in Tanzania during 2004 is the introduction of Destination Inspection System (DIS) with effect from July 2004 where imported goods will now be examined upon arrival in the country. This new system replaces the Pre-shipment Inspection System (PSI) which importers were not happy with. It was causing delays and for that reason it was considered to be business unfriendly.

The implementation of this new system was scheduled such that for the period between 1st January to 30th June 2004 it was earmarked as a transition period whereby a blend of PSI and DIS was in place. The transition period was to allow a smooth change from the old system of PSI to fully Destination Inspection (DI) system in July 2004. Much of the essential documentation requirements under the PSI services have been retained under the new system so as not to disrupt the importing community by introducing new procedures. The salient point of the move to Destination Inspection is the elimination of the requirement for importers to arrange for and subject their goods for inspection in the country of supply. This procedure was onerous and contributed to the lengthy clearance process. The elimination of the need to submit goods for inspection abroad will already significantly reduce the time it takes to import.

Unlike under the PSI system, all imports into Tanzania will now be subjected to Destination Inspection procedures with the exception of goods or supplies for the use of Diplomatic Missions and International Organizations to which Tanzania is a member. The exemption is also extended to commercial samples and goods returned to Tanzania after repair or goods entered for in-transit movement through Tanzania. Postal or courier goods whose value does not exceed USD 5000 as well as emergency supplies, not exceeding USD 10000 in value per airlift will not be subjected to destination inspection. This local inspection of imports is carried out by TISCAN, a company that was contracted by TRA to provide this inspection service. All Import Declaration Forms (IDFs) will now be presented and processed by TISCAN. A new feature under this system is the requirement that all importations regardless of value will be subjected to payment of an import-processing fee on Freight on Board (FOB) assessed value. However exempted goods and supplies will not pay this fee.

Under the Destination Inspection system, use of modern x-ray scanning technologies in the form of a Mobile Container X-Ray Scanner shall be employed to scan through containers. On average, the scanner can examine the contents of 16 containers per hour. Release decisions take 6 to 10 minutes per container, referring them either for direct release after scanning or to the re-check area in the case of discrepancies being discovered, different from the importers' declarations. The new Destination Inspection procedures are streamlined and largely based on a "Risk Assessment" being performed on all importations into Tanzania. Imports will be subjected to a risk analysis that will predetermine, based on the declarations, the level of physical intervention to be performed on the goods by Customs officials. Importers will be advised as to the risk assessment of their goods in advance.

Green Channel

Imports, which are considered to be of low risk, are assigned "Green Channel" status. They are released from the port without inspection once documentation and full payment of correct taxes and duties is made.

Yellow Channel

Imports, which will be considered to be of medium risk, will be assigned "Yellow Channel" status. Some imports under this risk level are subjected to fully inspection/verification and those, which are found to have wrong declaration, are only released after the owner pays duties, taxes and penalties.

Red Channel

Imports, which are considered to be of high risk, are assigned "Red channel" status. Customs officials subject all imports under this risk level to fully inspection/verification. After necessary documentation and after duties and taxes are made, those, which have correct declarations are released immediately.

The aim of introducing this system of clearing imports based on risk levels and use of electronic scanners is to facilitate a quick clearance of imports from the port so as to facilitate trade. However all precautions have been taken to ensure that this facilitation is not used by dishonest importers to evade paying correct duties and taxes. Stiff penalties shall be imposed on the caught tax evaders. Under this customs reform programme, tangible benefits to the importing community, through the implementation of this innovative and import procedures shall be realized. This procedure shall reduce clearance time; minimize costs and bureaucratic disruptions to the importers. Importers, who are voluntarily compliant, obey the laws and pay their proper taxes will be recognized and rewarded with fast track clearance procedures where by saving time and money. Importers who do not respect the import laws and those who wilfully evade the payment of proper duties and taxes will be subjected to the full extent of the penalties as prescribed by the customs law.

Under this new inspection system, once the Single Bill of Entry (SBE) is issued, importers will not be allowed to amend their declarations. Persons responsible for undeclared goods will be compelled to pay penalties for making untrue declarations and additional taxes to meet the terms of release for the undeclared goods.

UNITED KINGDOM

**Country Correspondent:
Ms Jas Sahni**

DAVID VARNEY APPOINTED EXECUTIVE CHAIRMAN OF NEW TAX DEPARTMENT

On 13 May 2004 the Chancellor of the Exchequer, Gordon Brown, MP, announced that, following his decision to integrate HM Customs and Excise and the Inland Revenue into a single department, Her Majesty the Queen had been pleased to approve the name of the new department and the appointment of its first executive chairman.

The new department will be called Her Majesty's Revenue and Customs, and following an open recruitment process, David Varney, outgoing chairman of MMO₂ and chairman of Business in the Community, will become the executive chairman of the new department.

The Chancellor also announced that Paul Gray, currently Second Permanent Secretary in charge of pensions and disability at the Department for Work and Pensions, has been appointed as the department's deputy chairman. Mr Varney's appointment was approved by the Queen on the recommendation of the Prime Minister, following the recommendation of an appointments panel chaired by the First Civil Service Commissioner, Baroness Prashar. The members of the appointments panel also recommended that Paul Gray be appointed as deputy chairman.

Mr Varney and Mr Gray will take up their posts on 1 September 2004, but will be consulted on key issues in relation to the establishment of the new department in the interim period.

INTERNATIONAL ACTION TO TACKLE TAX AVOIDANCE INDUSTRY

The Tax Commissioners of Australia, Canada, the UK and the US have established a joint task force to increase collaboration and coordinate information about abusive tax transactions following the signing of a Memorandum of Understanding in Williamsburg,

Virginia on April 23, 2004. An initial focus of the work will include the ways in which financial products and derivative arrangements are used in abusive tax schemes by corporations and individuals to reduce their tax liabilities, and the identification of promoters developing and marketing those products and arrangements.

The joint task force will assist the respective tax administrations in addressing challenges arising from abusive tax transactions. While the tax administrations operate primarily within their own borders, many abusive tax transactions employ strategies that cross borders, and many of the promoters of these transactions operate globally. Setting up a joint task force will enable the four countries to:

- Share expertise, best practices and experiences in the field of tax administration to identify and better understand abusive tax transactions and emerging schemes, as well as those who promote them
- Exchange information about specific abusive transactions and their promoters and investors within the framework of the countries' existing bilateral tax treaties
- Carry out their individual enforcement activities against abusive tax transactions more effectively and efficiently.

Officials of the tax administrations will work together in WashingtonDC during the initial phase of the task force's operations. Commissioners from the four countries will review the operation of the task force after twelve months.

TACKLING AVOIDANCE: GIFTS OF SHARES AND SECURITIES TO CHARITY

On 2 July 2004 the UK Government tabled amendments to the Finance Bill to counter income tax avoidance by individuals abusing the relief on the gifts of shares and securities to charity for personal gain. The Inland Revenue has been alerted to a scheme using a complex arrangement of offshore trusts and options to manipulate the value of gilts donated to charities. The scheme is designed to cut the income tax liability of the individual, but gives negligible benefit to the charity concerned. In theory, this device could be used to write off the entire income tax liability for users of the scheme. The use of such schemes is blocked with immediate effect.

The Economic Secretary to the Treasury, John Healey, said:

"This is a highly abusive tax avoidance scheme, which we have identified quickly and acted against immediately. I am not prepared to see the generous reliefs provided by this Government to support charities jeopardised by those seeking only to avoid tax. We are committed to using the tax system to encourage charitable giving but are determined to take action against those who abuse the reliefs. Genuine gifts of shares and securities to charity will continue to get tax relief, and we will continue to encourage genuine donors to give in this way."

DOUBLE TAXATION AGREEMENTS

On 15 July 2004 the Paymaster General, Dawn Primarolo, MP, announced details of the UK's treaty negotiating priorities for the year to 31 March 2005. The Paymaster General said, "I am pleased to announce the programme of work on double taxation agreements for the year to 31st March 2005. Bilateral double taxation agreements represent a well established approach for

helping business deal with tax systems across borders and have an important role to play in facilitating trade and investment by streamlining the interfaces between national tax systems.

The Government reviews the UK's DTA priorities each year to ensure that the treaty network continues to meet the needs of the businesses and individuals receiving income from abroad. The Inland Revenue monitors the DTA networks of other countries and invites representations from business, individuals, representative bodies, other Government departments and others with an interest in this area. We use the results, balanced with an estimate of the resources available, to produce a schedule of work for the year ahead. We plan to complete work on new treaties with Botswana, Georgia, Poland and Slovenia. We intend to progress negotiations with the Cayman Islands, Greece, Iran, Luxembourg, Saudi Arabia and Serbia and Montenegro. We also have plans for new or updated DTAs with Hungary, Italy and Macedonia. We will make further announcements about talks with other countries as and when arrangements are in place.

DOUBLE TAXATION AGREEMENT – GEORGIA

A comprehensive double taxation agreement between the UK and Georgia was signed in London on 13 July 2004 by the Foreign Secretary, Rt Hon Jack Straw, MP, and Her Excellency Mrs Salome Zurabishvili, the Foreign Minister of Georgia. The text of the new Agreement can be accessed on the Internet at www.inlandrevenue.gov.uk/international/uk-georgia.pdf and will in due course be laid as a Schedule to a Draft Order in Council for consideration by the House of Commons.

REVENUE MARK SUCCESS IN BUSINESS AWARDS FOR EXCELLENCE

The UK Inland Revenue has been awarded the prestigious Big Tick standard by Business in the Community. The entry in the Diversity Award category was scored in the top four entries in that category in London. The entry has been short-listed with other companies competing for the overall national example of excellence. The Inland Revenue considers diversity key to its approach to the business planning process and the delivery of business direction. The Inland Revenue is one of the largest public departments providing a service to most of the UK population. Our business is to collect direct taxes and pay tax credits and child benefit dealing with tens of millions of customers across every type of individual and company.

To deliver our services we organise our business into seven geographic regions across the UK and several national business streams including Tax Credit Office, Telephone Contact Centres and Receivables (debt and outstanding information collection). As at April 2003 the Inland Revenue employed a total of 78,600 people of which 38% are male and 62% are female, based in over 300 locations. 26% of people work part-time. The workforce consists of 6.7% from an ethnic minority and 5.4% with a disability. Business in the Community is a unique movement of over 700 member companies, with a further 1600 participating in programmes and campaigns. Their core purpose is to inspire, challenge, engage and support business in continually improving its positive impact on society.