

2003, September

Editorial

Customer Services Programmes

Until the late 1980s, the concept of customer services programmes in tax administrations almost did not exist. In fact, the idea of addressing taxpayers as customers or clients was greeted with some reluctance, even ridicule in some quarters. With the passage of time the change has not only settled in, it has become a priority activity with several tax administrations, particularly in developed economies.

The first requisite for taxpayer service programmes to work is a commitment to change from policy makers and senior management, and an understanding that it is a tool for promoting voluntary compliance and eventually a more cost effective revenue generation mechanism. Since the benefits of such programmes are not evident in the initial years, especially not in terms of increased revenue, the first question that policy makers will generally raise is can the country afford such unnecessary spending? It is just not seen as a priority issue. Of course there are no guarantees that once the commitment is forthcoming, everything else will fall into place automatically. While the general approach to customer services may have a lot of similarities in terms of the use of media and service content, the diversity of economic, cultural, demographic and geographic factors amongst countries means that programme designing and delivery have to be tailored to cater to individual country needs. That puts added pressure on tax administrations; the need to develop effective strategies and demonstrate instant benefits to justify initial investment and continued support. Developing countries lack research based evidence which could provide hard facts that could be presented to those who determine budgetary requirements

Understanding taxpayers mind set is critical to an effective taxpayer service programme as different groups of taxpayers in different countries have different needs for products, service delivery and support. To provide a comprehensive taxpayer service programme, a good knowledge of needs and expectations is required. A well structured and meaningful research could provide a better understanding of the client base and taxpayer service programmes best suited to the indigenous conditions could be developed accordingly. Most member countries of CATA indicate limited survey operations prior to designing customer services programmes and this is an area in which all members could learn from each other through exchange of experiences and information.

In addition to planning and designing customer services programmes, it is equally important to prepare comprehensive service strategies to introduce and deliver such programmes. Emphasis on modes of delivery of such programmes will vary to a large extent on the level of access to modern technology for both revenue authorities and taxpayers. In developing countries, delivery takes the form of predominantly printed matter, use of the print media such as the press and the electronic media mainly in the form of state operated television and radio channels. Approaches include seminars or corner meetings, as they are commonly called in market terminology. These seminars serve a very useful purpose in generating a two way dialogue as well as breaking down communication barriers and in the process building confidence in the taxpayer and revenue authority relationship through face to face contact.

Another form of communication and confidence building activity is through casual presentations and organising discussion groups in market centres. Somehow, taxpayers feel more at ease in such informal communications in their home territory as compared to such assemblies held within the official premises of revenue authorities. Particularly in developing countries where democracy is not yet well entrenched, such approaches are perceived as friendly gestures by what is otherwise seen as a distant government. Dedicated phone lines have been tried but taxpayers are reluctant to engage in a frank discussion with anonymous individuals. For similar considerations, tax help desks and volunteer tax advice are better received and organised in market locations.

Not surprisingly, developed countries rely mainly on the use of computer related materials and the internet for provision of customer services. A lot of work is also done through automated telephonic answer services. With each passing day, information technology continues to advance ever so rapidly opening up new and exciting possibilities. Electronic filing of returns is being encouraged as a better option than paper based returns and is becoming increasingly popular. As confidence develops in the security and reliability of internet based transactions and access to internet becomes easier for the average citizen, this is without doubt the future direction for revenue authorities. There is a long way to go before this becomes the main option in developing countries. In developing countries, internet and email access is limited to a small minority of well off citizens and large business entities. No

wonder the creation of large taxpayer units within tax administrations is a popular pursuit in many developing countries. It is meant to create a pocket of efficiency and quality service within an overall less efficient environment for those who have the means and tools to benefit from higher levels of service, while the total picture improves more gradually.

Customer services programmes represent the changing face of governance through processes of a participative nature. For revenue authorities, reduction in the cost of collections, maximising the level of voluntary compliance by taxpayers and confidence building are important targets sought to be achieved through provision of better service and essential information on fiscal rights and obligations of citizens.

By themselves such programmes cannot guarantee better voluntary compliance. Therefore there is a need to balance the two, because enhancing penalties and interest alone creates animosity since taxpayers' non compliance may not necessarily always be deliberate. Taxpayers' behaviour improves if they feel that their needs are understood and their views taken into consideration in decision making. The process of participation also helps in developing understanding of issues and problems faced by tax authorities, which are otherwise attributed by taxpayers to simple callousness and arrogance of tax authorities. Under development creates negative attitudes towards taxation as it is not clear to the population as to how taxes benefit taxpayers. This leads to high levels of deliberate and defiant non-compliance rates. Addressing these sensitivities is critical in the planning and implementation of customer service and education programmes in developing countries.

CATA NEWS

TWENTY FOURTH CATA ANNUAL TECHNICAL CONFERENCE/

WORKSHOP & NINTH GENERAL MEETING – KUALA LUMPUR, MALAYSIA

Arrangements for the **Twenty Fourth CATA Annual Technical Conference** scheduled to be held in Kuala Lumpur, Malaysia from **8 to 12 December 2003** are progressing well on all fronts. A large number of countries have confirmed the names of their participants. In addition to that a number of international organisations are also expected to participate. The Conference will be preceded by the Ninth General Meeting of CATA on Sunday, 7 December 2002/3

COMMONWEALTH TAX

INSPECTORS COURSE

(CTIC) 2003

The Commonwealth Tax Inspectors Course started at Lawress Hall, Lincoln in the United Kingdom on **3 August 2003**. The names of participants for this year's course are as follows:

Khalfan Mwarab (Tanzania)

Christine Shekidele (Tanzania)

**Teck Leng Wang (Republic of
Singapore)**

George Runge (Uganda)

Jovile Mungyereza (Uganda)

Joseph Nonde (Zambia)

Robert Mugisha (Rwanda)

Sophia Guliwe (South Africa)

Hewathanthrige Peiris (Sri Lanka)

Stephen Chulu (Zambia)

George Byamukama (Rwanda)

Enid Uwimana (Rwanda)

ADVANCING MANAGEMENT

POTENTIAL (AMP) 2003

The Advancing Management Potential training programme for senior tax officials commenced in Lincoln on **3 August 2003**. The names of the participants attending this programme are:

Jayasekara Rupakumara (Sri Lanka)

Aloys Mutabingwa (Rwanda)

Laurent Munyeshyaka (Rwanda)

Aloys Rusagara (Rwanda)

Mittah Muria (Tanzania)

Richard Mtui (Tanzania)

Patience Minga (Tanzania)

Oliver Mascarenhas (United Kingdom)

Raheema Ismail (South Africa)

Thandi Linda Charity Mabaso

(South Africa)

Shu-yee Mary Anne Lo (Hong Kong)

COMMONWEALTH MANAGEMENT DEVELOPMENT PROGRAMME

(CMDP) 2003

The Commonwealth Management Development Programme for 2003 will be hosted by Tanzania from **8 September to 17 October 2003**.

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) 2003

The Workshop on Taxation of International Transactions sponsored by CATA for senior and middle level tax officials is due to start on **29 September ending on 17 October 2003**. The Workshop will be 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.

HIGHEST HONOURS AWARD TO

CHIEF EXECUTIVE/DIRECTOR

GENERAL OF MALAYSIA

The Chief Executive/Director General of Inland Revenue Board, Malaysia, Dato' Zainol Abidin bin Abdul Rashid, has been awarded one of the highest honours by His Majesty the King of Malaysia on 7 June 2003. CATA Secretariat takes this opportunity to congratulate Dato' Zainol Abidin on behalf of all members of CATA. Further details on this development are available in the news despatch from Malaysia.

NEW COUNTRY REPRESENTATIVE

FOR INDIA

Mr D P Sengupta, Joint Secretary (TPL-I), has been appointed as Country Representative in place of Mr A J Majumdar.

NEW COUNTRY REPRESENTATIVE FOR JAMAICA

Mrs Vinette Keene, Commissioner (Taxpayer Audit & Assessment Department), has been appointed as Country Representative in place of Mr Errol Hudson.

NEW COUNTRY CORRESPONDENT FOR AUSTRALIA

Ms Pam Mitchell, Executive Advisor to Second Commissioner, Greg Farr, has taken over as Country Correspondent in place of Mr Jim McLean.

OTHER NEWS

WORLD ENVIRONMENT DAY

(5TH JUNE 2003)

Message from the Commonwealth Secretary-General

The Commonwealth Secretary-General, Don McKinnon issued the following statement on the occasion of the World Environment Day, "By the time you finish reading this message another eight children will have died, needlessly, from unsafe water or poor sanitation. on World Environment Day I hope we will keep those children in mind, and sharpen our resolve to help the one billion people who have never seen a glass of clean water in their life. They are all threatened with the same fate.

Access to clean water is fundamental to human life and development. I know

people and governments right across the Commonwealth are pleased that water is

the theme this year on World Environment Day. The challenge of providing safe and adequate water for the health and other

basic needs of all the world's people is increasing as the global population rises. Pressure on land can be part of the problem. In many areas, competition for and abuse of water resources has resulted in water shortages and reduced water quality, greatly affecting economic and social development. But we can and must rise to the challenge."

The Commonwealth Secretariat is engaged in finding solutions to the water problem. The approach promotes the co-ordinated development and management of water, land and other related resources to maximise social and economic benefits without compromising the sustainability of vital ecosystems. The Commonwealth Science Council (CSC) has been working alongside others to develop tools and skills for effective water policies, planning and management. As part of an international team, CSC is pioneering a water poverty index.

COMMONWEALTH SECRETARIAT WINS 11M EUROS FOR TRADE

PROJECT FROM EUROPEAN

UNION

The Commonwealth Secretariat will receive €11 million from the European Commission as part of the EU's trade related assistance programme for African, Caribbean and Pacific (ACP) countries. The Commonwealth will use the €11 million to fund its "Hubs and Spokes" project in collaboration with the Agence Intergouvernementale de la Francophonie (AIF), in total worth €17 million over the next four years.

The "Hubs and Spokes" project, already piloted in the Pacific, is an innovative network of ACP senior advisers based in the secretariats of regional organisations (the "hubs") who will coordinate networks of advisers ("spokes") installed in trade ministries of individual countries.

Commonwealth Secretary-General Don McKinnon has warmly welcomed the approval of the project: "In making this funding available, the European Union is demonstrating its confidence in the Commonwealth and the Secretariat's ability to deliver results. We are determined to succeed so that developing countries can share in the benefits of globalisation". He said many ACP countries are engaged in trade negotiations in different forums which often stretches their limited negotiating capacity to breaking point.

COMMONWEALTH FINANCE

MINISTERS MEETING

BERAKAS, BRUNEI DARUSSALAM, 16-18 SEPTEMBER 2003

Note on Media Accreditation

Brunei Darussalam will host the annual meeting of Commonwealth Finance Ministers from 16 to 18 September 2003.

The meeting, to be held at the International Convention Centre in Berakas, will bring together ministers and delegates from 52 member countries.

One of the main sessions at the ministerial meeting, which will take place just before the annual meetings of the International Monetary Fund and World Bank, will be on the special theme 'Delivering Basic Services to the Poor'. The next World Development Report (WDR), which will be launched at the IMF/World Bank meetings, will also focus on this theme. Commonwealth ministers' discussions will cover the practicalities of different service providers (public, private and non-governmental). The talks will help shape a reform agenda to make basic services work for the poor. The principal author of the WDR, Mr Shanta Devarajan, will present the report to ministers.

Ministers and senior officials will also discuss the uncertain global economic prospects; their implications for Commonwealth developing countries; and the need for international action to help deal with the adverse effects of global recessionary developments. The meeting will also address issues relating to debt sustainability under the Heavily Indebted Poor Countries Initiative (HIPC), small states, commonwealth development co-operation and the Commonwealth Fund for Technical Co-operation. Senior officials will discuss as their technical theme 'Public/Private Partnerships in Financing Infrastructure'.

DEPUTY SECRETARY-GENERAL

EMPHASISES IMPORTANCE OF AN EFFICIENT FINANCIAL SERVICE INDUSTRY

Commonwealth Deputy Secretary-General Mr. Winston Cox has emphasised the importance of an efficient financial service industry in today's global community.

"Globalisation places a high premium on competitiveness, and efficient financial intermediation is a key determinant of an economy's competitiveness. Inefficient resource allocation and increased transaction costs stemming from poor financial intermediation act as a brake on national competitiveness."

Speaking at the opening of the Commonwealth Business Council (CBC) Banking and Financial Services Symposium today, 25 June 2003, Mr. Cox also discussed several other challenges currently faced by the financial service industry.

"Globalisation and technological change in financial markets have generated major challenges in combating money laundering and fraud. More recently, preventing the financing of terrorism has become a major priority. The recommendations of the Financial Action Task Force (FATF) have generated a range of priority actions for both central bankers and the financial service industry."

COMMONWEALTH URGED TO SET UP POVERTY FUND

Nineteen delegates from Commonwealth countries participated in the Grameen-Commonwealth Poverty Dialogue Programme in Bangladesh which ended on 31 July 2003.

During the two-week programme, participants learned about the work of the Grameen Bank and visited its branches around Bangladesh, where they carried out field work. Organised by the Commonwealth Secretariat, the Grameen Bank and the Grameen Trust, the programme was funded by the Commonwealth Fund for Technical Co-operation (CFTC) and eight governments from the participants' countries.

Participants came from Bangladesh, Fiji Islands, India, Kenya, Malawi, Maldives, Mauritius, Sierra Leone, Sri Lanka, Swaziland, Tonga, Uganda and the United Republic of Tanzania. Several were funded by the CFTC, others by their governments.

STUDY on BROADCAST OF

PARLIAMENTARY PROCEEDINGS TO BE PUBLISHED

The Commonwealth Broadcasting Association (CBA) and the Commonwealth Parliamentary Association are shortly publishing a booklet describing the state of parliamentary broadcasting in the Commonwealth. The study finds the practice is spreading even to small Pacific islands by radio, television, internet and news bulletins.

The research was undertaken by Canadian journalist Robyn Bresnahan and the assessment was written by Mary Raine, formerly Editor, Radio News Features, BBC World Service. The study was funded by UNESCO and is being published in Delhi, India. A short version is published in the July-September edition of 'Commonwealth Broadcaster' magazine, and is available on www.cba.org.uk.

COMMONWEALTH SECRETARY-GENERAL WELCOMES REGIONAL INITIATIVE on SOLOMON

ISLANDS

Commonwealth Secretary-General Don McKinnon today welcomed the regional initiative led by Australia and New Zealand and supported by other Pacific countries to assist the Solomon Islands Government in solving the serious security and economic situation that the country is facing.

"This initiative is the result of a partnership formed by Commonwealth countries of the region, developed at the request of the Solomon Islands Government with the full support and engagement of neighbouring nations and the Pacific Islands Forum," said Mr McKinnon.

"I am particularly encouraged by the statement issued by Pacific Islands Forum Ministers in support of this regional initiative," he added.

The Commonwealth has been providing ongoing assistance to the Solomon Islands Government, including technical assistance in relation to the constitutional review process and the judiciary. "Our engagement and assistance will continue and we will support the new regional initiative," said the Secretary-General.

"I certainly hope that this initiative will bring to the people of the Solomon Islands the stability they need to create a better future for themselves and their families," concluded Mr McKinnon.

EMPOWERING HUMAN RIGHTS

INSTITUTIONS IN

COMMONWEALTH AFRICA

A workshop aimed at strengthening human rights commissions in Southern and Eastern Africa was held last week in Pretoria, South Africa. Participants reviewed related Commonwealth best practice and exchanged experiences of protecting and promoting human rights in their respective countries.

The event, from 23 to 27 June 2003 at the Centre for Human Rights (CHR), University of Pretoria, brought together representatives from national human rights and ombudsman offices in Botswana, Kenya, Lesotho, Malawi, Mauritius, Namibia, Seychelles, South Africa, Uganda, United Republic of Tanzania, and Zambia. It was jointly organised by the Human Rights Unit of the Commonwealth Secretariat and the CHR.

"Commonwealth countries have recognised the need to establish independent and credible institutions to protect, promote, monitor and fulfil human rights in their respective countries," said Hanif Vally, head of the Human Rights Unit. "The Secretariat is committed to empowering human rights commissions to fulfil their mandates. This event is part of a pilot programme that we will extend to other regions of the Commonwealth."

CIVIL SOCIETY, DEMOCRACY

AND DEVELOPMENT

Identifying how the Commonwealth can maximise civil society's contribution to democracy and development was the objective of a day-long civil society consultation on 12 June 2003 in London, UK. Representatives of

Commonwealth associations based in London participated, as well as representatives from Cyprus, Ghana and Malta.

The consultation, organised by the Commonwealth Foundation and the Commonwealth Secretariat, provided a forum for discussion on issues relating to the Commonwealth Heads of Government Meeting (CHOGM), to take place in Abuja, Nigeria, from 5 to 8 December 2003.

Matthew Neuhaus, Director of the Secretariat's Political Affairs Division, reported on the progress of the Commonwealth Expert Group on Development and Democracy, established at the request of Commonwealth leaders at their summit in Coolumb, Australia, in 2002.

AWARD FOR GOOD CORPORATE GOVERNANCE

The Commonwealth Association for Corporate Governance (CACG) has won an international award for its work in promoting excellence in corporate governance.

The International Corporate Governance Network (ICGN) announced on Thursday, 10 July that the 2003 ICGN Award for contributions to furthering standards of good corporate governance would go jointly to the CACG and to Dr William Crist, former chairman of CalPERS, the California Public Employees' Retirement System (US).

A statement issued by ICGN on 11 July said, "The CACG is a remarkable organisation; there is no other group out on the ground promoting practical aspects of corporate governance and having such a major impact on so many countries."

CACG was established in 1998 in response to the Edinburgh Commonwealth Economic Declaration, 'Promoting Shared Prosperity', issued by Commonwealth Heads of Government at their 1997 summit. Based in Marlborough, New Zealand, the CACG has, under the direction of the Commonwealth Secretariat, undertaken projects in more than 35 Commonwealth countries in Africa, South Asia, the Caribbean and the Pacific.

TRINIDAD AND TOBAGO HOSTS

CARIBBEAN WORKSHOP on E-

COMMERCE COMPETITIVENESS

FOR SMALL BUSINESS

DEVELOPMENT

More than 80 participants from Caribbean governments, international organisations and private sector companies attended a pan-Commonwealth workshop on e-commerce competitiveness in the Caribbean, which ended on 29 July 2003. Opening the three-day workshop in Port of Spain, the Minister for Public Administration and Information in Trinidad and Tobago, Senator Lenny Seith, said: "The Government's Vision 2020 emphasises the importance of information and communications technology in the economic development of small states. We are particularly grateful to the Commonwealth Secretariat for initiating this programme, which is timely at a stage when we are moving towards a large single market. The regional approach taken by the Commonwealth emphasises the need for achieving scalability in e-commerce development for small enterprises in the region."

At the workshop, a pan-Commonwealth Caribbean framework aimed at developing small business competitiveness in the region was formulated and a clear follow-through strategy to implement it agreed, which includes action partners. Much of the e-commerce in the Caribbean is focused on the provision of services such as finance and tourism, and also small-scale manufacturing of handicrafts and furniture.

The participants, from ten countries, agreed the meeting had come at the right time. "The workshop was timely. It strikes at the heart of the Caribbean's efforts at integrating deeper and further into the international economy," said David Gomez, an adviser in the Belize Ministry of Finance. Jacqueline Wiltshire-Forde, Director of Information and Communications for the Caribbean Community (CARICOM), added: "For CARICOM, integration and cohesion is a purpose and promoting prosperity for the region a principal mission. This critical workshop helped focus more on

both through an area which promises much but must be nurtured and enabled. I would recommend a follow-through."

International organisations attending the workshop included CARICOM, the International Trade Centre (UNCTAD/WTO), the Inter-American Development Bank, the Canadian International Development Agency and the Economic Commission for Latin America and the Caribbean.

SECRETARY-GENERAL'S STATEMENT on THE SUPREME COURT OF FIJI ISLANDS RULING on THE CONSTITUTIONALITY OF THE FORMATION OF THE GOVERNMENT

The Commonwealth Secretary-General today commented on the ruling of the Fiji Supreme Court on the long awaited case on the constitutionality of the formation of the Government under Section 99 of the Constitution of the Fiji Islands.

"The decision of the Court signifies an important landmark in the political history of the Fiji Islands. I welcome the leadership demonstrated by Prime Minister Qarase in his reaction to the Supreme Court ruling today, and his Statement in which he said that his task now is to implement the decision taking into account the political questions that the Constitution does not address. I also encourage Prime Minister Qarase and Mr Mahendra Chaudhry to maintain dialogue in good faith through their ongoing 'Talanoa' process in mapping out the way forward in the interest of the country," Mr McKinnon said.

The Secretary-General also stressed the importance of a peaceful and economically stable Fiji Islands – not only for the social and economic development of its people, but of the region as a whole. He noted that Fiji hosts some of the key institutions of the region such as the Pacific Islands Forum and the University of the South Pacific, and currently holds the chair of the Pacific Forum.

The developments in the Fiji Islands were considered most recently by the Commonwealth Ministerial Action Group (CMAG) in May 2003, which requested the Secretary-General to offer appropriate assistance as may be required by both parties following the Court's decision.

"The Commonwealth recognises the importance of the Court's ruling for the people of the Fiji Islands and we remain ready to provide the necessary technical assistance as required. Fiji is an important member of the Commonwealth family and its progress and political stability is of interest to all Commonwealth nations. My Special Envoy, Justice Pius Langa, will also remain engaged and will continue to provide appropriate assistance as requested," concluded Mr McKinnon.

MULTILATERALISM IS THE WAY FORWARD, INSISTS SECRETARY-GENERAL

In the current international order, global institutions are more relevant than ever, Commonwealth Secretary-General Don McKinnon argued in a speech last week.

"The concern among many today is to achieve long-term stability globally. In other words, relations between states need to be redefined in the context of any new world order. But for such an order to succeed, we must make sure that it is generated through an inclusive process which enjoys the support of everyone involved," the Secretary-General said.

He was speaking on Friday, 18 July 2003 at the Royal Commonwealth Society in London on the theme 'What future for the Commonwealth in the current international order?'

"Many people today think that, when confronted with intricate global problems, countries must often choose between effective action taken without the consent of other players (and often against the will of the international community) or fruitless attempts at generating agreement, which often leads to inaction and empty promises," Mr McKinnon stated.

"We in the Commonwealth don't subscribe to either of those views. We passionately believe in the value of multilateralism ... because we believe that solutions which are reached by consensus have a better chance of delivering long term peace and stability than those which are imposed by force."

In his speech, the Secretary-General discussed Commonwealth efforts to resolve the crisis in Zimbabwe, the importance of the association's extended network of civil society organisations in efforts to strengthen democratic

institutions and promote human rights, and the closer collaboration that has developed between the official Commonwealth and these civil society organisations.

Commenting on the Commonwealth's development agenda, Mr McKinnon drew attention to the work of the Commonwealth Fund for Technical Co-operation and in particular its programme of public service reform, the Commonwealth's work in promoting debt relief for heavily indebted poor countries, and its efforts to ensure that the voices of its smaller and more vulnerable members are heard in international forums.

The Secretary-General also reiterated his opposition to excessive agricultural subsidies and highlighted their impact on developing countries, which have been told that the only way to prosperity is through trade liberalisation.

"While poor countries have heeded this advice and removed many of their trade barriers, developed countries failed to reciprocate. 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.

"I have personally taken a very strong stand on the issue of agricultural subsidies because it is very clear to me that no significant progress can be achieved on reducing world poverty if the big players -- the United States, Europe and Japan -- don't take action and live up to their commitments."

Mr McKinnon said that, as a truly multilateral organisation, the Commonwealth was ideally placed to represent the interests of its developing member countries in the face of the overwhelming political influence of the US and European countries in international trade.

In conclusion, the Secretary-General said, "Like a boat whose load is stacked to one side, our world is out of kilter and often threatens to keel over. That is why multilateral organisations have such a crucial role to play today. The only way to 're-balance' the world is by creating a genuine global dialogue, where the voices of the weak and the vulnerable are not excluded from decisions affecting their future. What the world needs today is solidarity, not isolation; leadership, not domination; consensus-building, not empire-building."

NEWS FROM MEMBERS

AUSTRALIA

Country Correspondent:

Ms Pam Mitchell

THE AUSTRALIAN TAXATION

OFFICE MAKES IT EASIER TO

COMPLY

Drawing on its recent tax reform experiences, market research and the growing voices of its clients the ATO has made some fundamental changes to the way it approaches administration of the Australian taxation system. The ATO now recognises that in order to help people to comply, it has a responsibility to them – to make their experience with the revenue system easier, cheaper and more personalised.

Since March 2002, the ATO has been working with the community to find ways of making interactions with the tax system easier. At that time the Commissioner, Michael Carmody, announced a "Listening to the Community" project that involved the ATO working with the general community, business and tax agents to develop ideas that would make it easier and cheaper for people to comply with their tax obligations.

Through that initiative, the ATO actively listened to the tax experiences of people from all walks of life – families, people in rural areas, youth, seniors, accountants, tax practitioners, software developers and small business operators. It conducted discussion groups, product development workshops and observed individuals, small business operators and tax agents going about their business including their tax affairs, to get an idea of what the tax system is like for them.

It was through this listening process that the ATO has learnt it needed to understand its clients' needs from their perspective. To do this ATO has adopted the following "co-design" approach with clients:

- 'Stand in their shoes' - ask users what issues they have and how they would like them resolved;
- Involve them in developing those solutions;
- Test them out in prototype form or as pilots;
- Watch the users interact with the preliminary product – from beginning to end; and
- Ask for their feedback before going onto the next development stage.

The ATO has used this co-design approach to devise solutions to the issues raised by clients. These solutions are now being developed as part of a program of administrative improvements called the easier, cheaper and more personalised program.

Easier, cheaper and more personalised program

The program will mean the ATO's key client groups can do easier and faster transactions online through portals and an improved website. It will mean the ATO answers its phones more quickly and resolves more issues in the first call. It will mean letters and notices that are easier to understand and more relevant to a client's circumstances.

To deliver this program the ATO is undergoing significant changes in the way it does business. The program will change the ATO's business processes, its people capability, as well as the tools used by staff in their every day work.

During the program a significant proportion of the ATO's major applications will be replaced. In addition, a number of new enabling technologies will be required. To assist with these changes the ATO has invited bids from outside consultants to with it as a "program implementation partner". This partner will provide the ATO with a wide range of expertise including program and change management, business process and design and IT capabilities.

A unique feature about the way this program is being delivered is that rather than measuring its success by ticking off project milestones, it is reporting against what the final client experience should be.

The Commissioner has detailed the products and services to be delivered through the a easier, cheaper and more personalised program in a report to the community *Making it easier to comply*. As the program is developed, the ATO will continue to offer opportunities to the community to co-design the products and services they use.

The ATO is also exploring and co-designing improvements with other groups in the community. For instance, in the near future, the program will be expanded to include initiatives specific to large business and not for profit groups.

Changes already delivered

The ATO has delivered on a range of new client experiences including:

- improved phone services for tax agents;
- an online "Tax Agent Portal" through which agents can view client information and conducts transactions in a secure online environment;
- improvements to a range of letters and notices;
- a trial of a short tax return for people with simple tax affairs;
- an improved website; and
- new online calculators.

The ATO has also seen a drop in the number of enquiries from tax agents about matters which they can now resolve themselves by using our online tax agent portal.

Workplace Giving in Australia

Through Workplace Giving programs, the Australian Taxation Office has put in place a process to assist charities or other organisations with deductible gift recipient (DGR) status to receive a regular income with minimal administrative processes.

Employers who implement Workplace Giving programs deduct donations from employees' salary payments and forward them to participating DGR(s) each payday as a lump sum payment from all contributing employees.

One of the major benefits of Workplace Giving programs is that charities or other organisations with deductible gift recipient (DGR) status received regular lump sum payments from employers. This reduces processing costs by minimising the number of receipts that need to be issued. Some employers may choose to not ask for receipts at all, particularly when payments are made electronically.

Participating charities, must maintain their (DGR) status as long as they are in the program. Employers must check to ensure that the charities maintain their deductible gift recipient (DGR) status while they are participating in the program – they can do this easily by checking

www.business.abr.gov.au

Large Business and Tax Compliance

The *Large business and tax compliance* booklet has generated much interest in the Australian business community. This is not surprising as for the first time large businesses have been presented with a booklet from the Tax Office that sets out what attracts the Tax Office's attention and what businesses can expect will be challenged.

At the launch of the booklet in June 2003, Tax Commissioner Michael Carmody was also keen to acknowledge the significant contribution that large businesses make to Australia's revenue system. Company income tax has grown from \$13 billion in 1992-93 to \$27 billion in 2001-02. Large businesses represented 62.8% of income tax collections from companies in 2001-02. Projected company income tax collections for 2002-03 are \$31 billion. Large businesses are also significant contributors to Excise revenue and to the Goods and Services Tax.

However, Mr Carmody noted that as business leaders, senior executives of large corporates have a responsibility under Australia's system of self assessment to ensure that tax laws are properly applied. He added that judgements about tax compliance need to be part of the corporate governance process of every company and board.

The booklet encourages chief executive officers and company directors to examine their tax responsibilities as part of good corporate governance. Are they confident that their records and control systems enable their group to pay the correct amount of tax without incurring any general interest charge or underpayment penalty, and meet their obligations to supply accurate returns and information when required. Are the amounts of tax they pay, and their pattern of tax payments, consistent with their current and previous business results? If not, can the inconsistencies be explained? Is there anything to indicate that the group's business results and tax payments are lower than would be suggested by economic conditions and the performance of others in their sector? These were just some of the issues company directors were asked to consider.

In the spirit of openness, the booklet explains what attracts the Tax Office's attention and provides the following checklist of factors that are taken into account in identifying cases for possible audit:

1. Financial or tax performance that varies substantially from industry patterns
2. Significant variations in the amounts or patterns of tax payments compared to past performance, relevant economic indicators and industry trends
3. Unexplained variations between economic performance, productivity and tax performance
4. Unexplained losses, low effective tax rates and cases where a business or entity consistently pays relatively low tax
5. A history of aggressive tax planning by the corporation, group, board members, key executives or advisers
6. Weaknesses in the structures, processes and approaches to tax compliance, and
7. Tax outcomes that are inconsistent with the policy intent of tax reform.

The *large business and tax compliance* booklet can be viewed in full at the Tax Office's website – www.ato.gov.au. Go to 'businesses' and click on 'large corporates and multinationals' and then on 'large business

and tax compliance'. Also available on the website is the Commissioner's speech to the Australian Financial Review leaders' luncheon where the booklet was launched and the accompanying media release, number 54 of 2003. To locate the speech and media release go to 'media centre' on the home page.

CANADA

Country Correspondent:

Mrs Christina Lee

CANADA CUSTOMS AND REVENUE AGENCY LEARNING POLICY AND THE EDUCATIONAL ASSISTANCE PROGRAM

The Canada Customs and Revenue Agency (CCRA) has committed itself, as an organization, to fostering and supporting a continuous learning environment. Consequently, the CCRA has developed a Learning Policy that supports this commitment. The Learning Policy is a critical element to the organization's overall human resource management strategy toward building a knowledgeable, adaptable and skilled workforce to serve its clients.

The focus on learning in the CCRA has shifted from an ad hoc to a managed approach through the development of an individual learning plan for each employee. The learning plan is in effect a joint effort by employee and manager, designed to recognize each party's investment. The specifics of the learning plan is tailored toward the individual, looking at not only current responsibilities but casting a view toward future career opportunities, while taking into consideration the needs of the organization in achieving its business goals. This annual exercise in developing a relevant and beneficial learning plan is then supported by the CCRA's extensive selection of learning and training tools.

The organization also recognized that it was equally relevant to look beyond internally offered learning products and events. Consistent with this commitment to learning, the CCRA also took steps to ensure that those employees who desired to pursue post secondary education (college or university) were able to do so. For this purpose, the CCRA created the Educational Assistance Program into which \$7.5 million have been allotted for the current fiscal year (2003-2004). The funds are earmarked toward tuition reimbursement, reimbursement of other eligible costs and education leave, with or without an allowance.

Before applying for educational assistance, the employee will have discussed his/her career goals and aspirations within the organization, with the manager and ultimately together, they will have developed a learning plan in which post secondary education is an element. The success of the program rests on the assumption of responsibility on the part of the employee (taking charge of his own career development and education) and management (providing the funding and in some cases, education leave). Ultimately, at the conclusion of the studies, the employee has attained personal educational goals to forward career aspirations while the organization has increased its complement of knowledgeable and skilled people.

The CCRA faces increasing challenges to sustaining a highly trained and motivated workforce. This positive learning environment is an attraction for those interested in a public service career. The organization recognizes that notwithstanding the high quality of internally delivered learning events, by additionally reaching out externally, the selection of courses is broadened beyond traditional technical courses. It is recognized that of equal importance are learning events that focus on the development of behavioural skills, (e.g., critical thinking, writing, communication and self-confidence) as a complement to technical skills.

The CCRA has found the Educational Assistance Program to be a cost effective investment that brings lasting benefits to both employees and the organization's business objectives. For our clients, the benefits are translated into the effective and efficient delivery of high quality programs and services.

GUYANA

Country Correspondent:

Ms B Hussein

CHANGES WHICH OCCURRED WITHIN THE GUYANA REVENUE AUTHORITY FOR THE PERIOD JANUARY TO SEPTEMBER 2003

Legislative Changes

In the presentation of the Budget Estimates for 2003 to Parliament on March 28th by the Minister of Finance, the following changes were announced and legislation was subsequently enacted to give effect to them.

Withholding Tax.

The rate of withholding tax was increased from 15% to 20%. This increase is applicable to the following categories:

- Interest earned on all interest bearing accounts held at commercial banks.
- Discounts earned on treasury bills
- Loans secured by bonds.
- Dividends paid to all non-resident shareholders.
- All payments other than interest made to non-residents. These include payments towards patents, copyrights, rents, royalties etc.
- All payments made towards management fees and distribution to all non-residents.
-

This increase became effective from April 1st, 2003.

Income Tax Threshold

The income tax threshold was increased from G\$216,000 per annum to G\$240,000 per annum. In addition, the band on which the tax rate of 20% is applicable was reduced from G\$134,000 per annum to G\$110,000 per annum. These changes were made effective from January 1st, 2003.

Consumption Tax on Domestic Telephone Calls

A consumption tax at the rate of 10% has been placed on all domestic telephone calls. This tax became effective from April 1st, 2003.

The under mentioned changes were recently enacted in Parliament and are effective from September 1, 2003.

Tax on Hotels and Professional Services

In an effort to broaden the tax base, a tax at the rate of 10% has been levied on gross income paid for services provided by hotels subject to the Hotel Accommodation Tax Act 1993, except for gambling activities. This tax has also been levied on the gross income paid for services provided by real estate agents and professionals except dentists, medical practitioners, pharmacists and physiotherapists where the rate of 5% will be charged.

Penalties

Failure to pay income tax on or before the due date will result in the imposition of penalties ranging from 2% to 5% of the unpaid amount. If an installment arrangement has been entered into, the penalty amount shall be 1% per month beginning on the date the installment arrangement takes effect.

Failure to file a tax return will result in the imposition of penalties ranging from 2% to 5% of the assessed amount.

The Commission General of the Guyana Revenue Authority may remit the whole or part of any penalty imposed without the authority of legislation given good cause.

Interest

Interest is to be charged on all late payment of taxes payable under the Tax Acts administered by the GRA. The Commissioner General shall specify quarterly, by public notice, the rate of interest applicable to tax arrears, using the average rate of interest for the preceding quarter.

Tax Holiday

The tax holiday provision of the Income Tax (In Aid of Industry) Act is modified to limit the exemption from corporate tax to firms that undertake new economic activity in specified depressed regions and to firms that conduct new economic activity in specified fields.

Consumption Tax

The consumption tax on the import of a motor vehicle by persons eligible for remission of import duty has been reduced. The consumption tax payable by a public official ranges from US\$430 for a used vehicle or 10% for a new vehicle less than 1500cc to US\$9950 or 30% for new and used vehicles respectively, which are above 3000cc. In the case of re-migrants, the consumption tax ranges from 5% for vehicles less than 1500cc to 10% for vehicles above 3000cc.

Exemption from Payment of Withholding Tax

The exemption from payment of withholding tax on income earned by commercial banks has been extended to include interest earned on loans secured by bonds and similar instruments.

Remission of Taxes

The broad discretionary power with respect to the remission of taxes has been eliminated and replaced by a narrow humanitarian provision allowing remission in cases meeting specified criteria. In addition, no remission, concession, or waiver of tax by Order or other subsidiary legislation is valid unless the Act under which the subsidiary legislation is made expressly permits such.

The authority for granting remission, concession or waiver of tax is now under the relevant tax Acts administered by the Guyana Revenue Authority.

The following changes are effective from January 1, 2004.

Professional Practice certificates

The annual fee for professional practice certificates has been increased depending on the classification as set out in the First Schedule. Professions which fall under Category A will pay an annual fee of G\$250,000, those falling under Category B will pay G\$150,000 and professions which fall under Category C will pay G\$75,000. However, a professional who becomes qualified within three years preceding the date of application for the practice certificate is permitted to pay the annual fee of G\$25,000 and shall thereafter be liable to pay the full prescribed fee.

The under mentioned changes are to come into effect on the enactment of the relevant regulations.

Presumptive Tax

Subject to the enactment of the relevant regulation, the Guyana Revenue Authority will be able to use presumptive methods to determine the taxable income of self-employed persons who have an annual turnover of less than G\$10 million. Under this method, the annual taxable income of each category of self-employed shall be fixed using factors such as size of business premises, number of employees, assets used in business, years in practice, specialty certification among others. This method will also specify a standard deduction amount for each category of self-employed.

The tax will be due on the first day of each tax year although, by regulation made by the Minister, the Commissioner may allow the tax to be paid in installments.

The Commissioner-General may require a taxpayer submitting a presumptive tax return to file a regular tax return with respect to the following tax year in addition to the presumptive return for that year. Where both a regular and presumptive tax returns are filed for a year, the taxpayer shall be liable for the higher of the presumptive or regular tax and shall be given credit against tax due for the year for any tax paid with respect to that year's tax liability.

Regulation may be made to phase in the presumptive method beginning with selected categories of taxpayers and gradually extend the reach of the presumptive regime.

Minimum Tax

Where the annual turnover of the self-employed exceeds G\$10 Million, a minimum tax at the rate of 2% of annual turnover, arising from the performances of services, shall be paid in lieu of the regular income tax. This will be imposed only if the amount of income tax payable for a year is less than the amount of minimum tax computed for the year. The minimum tax is payable at the same time and subject to the same procedures as the regular income tax.

Filing of Tax Returns

A taxpayer whose income is determined by the presumptive method will be able to file a simplified income tax return rather than a regular income tax return. The Minister may, by regulations, exempt individuals from the requirement to file a tax return providing that such individuals have no income for a year other than employment income for which tax is withheld by the employer or interest income subject to withholding tax or both and the Minister is satisfied that adequate compliance measures are in place.

Administrative Changes

With effect from September 1, 2003, the position of Commissioner General which has been vacant for several months, will be taken up by Mr. Kurshid Sattaur who is currently the Commissioner – Internal Revenue Department.

INDIA

Country Correspondent:

Mr S K Chowdhari

The Finance Bill, 2003 has been passed by both Houses of the Indian Parliament. Some of the major changes brought about in the tax policy of the country are highlighted below:-

Measures to accelerate economic growth

- With a view to give a boost to the **tourism sector** and to reduce the incidence of tax on hotel industry, expenditure tax would be abolished after 31 May 2003.
- To encourage investment in the **hospitality and health sector** income from investment in the projects for construction of hotels of not less than three-star category and hospitals with at least hundred beds, would be exempt from income tax.
- In order to encourage **international trade and commerce**, it has been decided to expand the scope of the purposes for which Double Taxation Avoidance Agreements can be entered into by providing that the tax agreements may be entered into with other countries for developing mutual economic relations, trade and investment.
- In order to give incentives to the new **telecom services** or **domestic satellite services**, it has been decided to extend the time limit before which the eligible undertaking has to start providing telecommunication services, etc from 31 March 2003 to 31 March 2004.
- With a view to encourage development of **export-related infrastructure**, it has been decided to extend tax rebate under section 88 on subscription to the public issue, which are entirely utilised for the purposes of development of an industrial park or a special economic zone.

Incentives for Debt/Capital Market and Financial Sector

- **Dividend income and income from units of mutual funds** would be exempt from income tax in the hands of the shareholders and the unit-holders. A domestic company shall pay additional income tax at the rate of 12.5% on the dividends declared or distributed by it. The mutual funds shall also pay this tax at the same rate on the income declared or distributed by them. However, no additional income tax would

be paid in respect of dividends declared by UTI. Equity oriented schemes of any mutual fund will also be exempt from this tax for one year.

- With a view to making the process of demutualisation and corporatisation of recognised **stock exchanges** in India, tax neutral, it has been decided to amend the provisions of the Income Tax Act to provide that transfer of assets on corporatisation and demutualisation of recognised stock exchanges will not be treated as transfer for the purpose of capital gains.

Taxpayer-friendly measures

The following measures would be taken to help the taxpayers:-

- The condition of **repayment of loan or deposit** only by account payee cheque or draft shall not be applicable in case of repayment of loan or deposit taken from Government, any banking company, Post Office Saving Bank, etc.
- The taxpayer may henceforth furnish a **return of his income through a computer-readable media** also.
- The **stock-in trade of the business** found as a result of search shall not be seized. The authorised officer shall only make a note or inventory of such stock-in-trade.
- **Persons leaving India** need not obtain a tax clearance certificate except in case of such domiciled persons where the Income Tax Department considers it necessary.

Welfare Measures

The following steps would be taken for the welfare of the taxpayers:-

- Taxpayers earning salary income up to five hundred thousand rupees shall be allowed a deduction equal to forty percent of the salary or thirty thousand rupees, whichever is less. Other salaried taxpayers shall be allowed a deduction of twenty thousand rupees.
- The amount due to an employee on his **voluntary retirement** or termination of service, up to five hundred thousand rupees, even if received in instalments shall be exempt from tax.
- The income of Corporations, established by Central Government or any State Government for the welfare and economic up-liftment of **ex-servicemen would be exempt from tax.**
- The tax rebate for the **senior citizens** would be enhanced from the existing fifteen thousand rupees to twenty thousand rupees.
- A deduction up to three hundred thousand rupees would be provided to the authors in respect of the **royalty income from books**, other than text books.
- Tax rebate up to twelve thousand rupees per child shall be allowed in respect of **tuition fees**, etc paid to any educational institution, for full-time education of two children.
- A deduction up to three hundred thousand rupees from the **royalty income from use of patents** registered under the Patents Act 1970 in the hands of an individual resident patentee shall be provided.
- Tax shall not be deducted at source, in the case of **senior citizens**, on submission of a declaration to the effect that the tax on estimated total income would be nil.

Widening of Tax Base

- In order to augment inflow of information for widening and deepening the tax base, an assessee would be required to furnish an **Annual Information Return** in respect of financial transactions entered into by him.

KENYA

Country Correspondent:

Ms Alice A Owuor

REVENUE PERFORMANCE

DURING 2002/2003

At the end of June 2003 which marked the end of the financial year, Kenya Revenue Authority (KRA) collected Kshs. 201, 695 million against a target of Kshs. 203,341 million therefore registering a performance rate of 99.2%.

Compared to a similar period in 2001/02, KRA registered an impressive growth of Kshs. 18.3 billion or 10%.

The performance is summarised here below:-

Department	Actual Collection 2002/03 (Kshs. Million)	Target 2002/03 (Kshs. Million)	Performance Rate %
Customs & Excise	100,573	103,145	97.5%
Income Tax	72,214	68,374	104.2%
VAT	28,499	30,304	94%
Road Transport	1,409	1,518	92.8%
TOTAL	201,695	203,341	99.2%

Considering the prevailing poor economic conditions in the country, KRA showed a remarkable performance mainly due to continuing improvement in internal operational and administrative mechanisms which has in effect improved taxpayers' compliance levels.

Despite this improved performance, KRA could have done better if it was not for factors which negatively impacted on revenue growth some of which were:-

- The appreciation of the Kenya Shilling and the decline in imports which in turn affected taxes on imports.
- Terrorism threats worldwide which saw a reduction on the tourism sector and consumption taxes.

During the current financial year 2003/04, KRA has had its revenue target increased from Kshs. 203.3 to Kshs. 219.9 billion representing a 9% increase over last year's collection as shown:-

Department	Treasury Target Kshs. Million	Actual Collection 2002/03 (Kshs. Million)	% Expected Growth Over Actual in 2002/03
Customs & Excise	110,465	100,573	9.9%
Income Tax	74,644	71,214	4.9%
VAT	33,153	28,499	16.4%
Road Transport	1,599	1,409	13.5%
TOTAL	219,861	201,695	9%

NEW COMMISSIONER GENERAL

Kenya Revenue Authority received a new Commissioner General, Mr Michael G Waweru in march 2003 replacing Mr John P Munge. Mr Waweru fits in very well in the tax body having been the immediate past Chairman of Institute of Certified Public Accountants of Kenya (ICPAK) and was also the Managing Partner of Ernst & Young Public Accountants.

QAP Sensitisation Seminar Initiated

In July 2003, Kenya Revenue Authority Staff countrywide attended Seminars arranged to sensitise them on the Quality Assurance Programme (QAP) covering the concept and benefits of Quality Assurance and the way forward in implementing the programme as a revenue body. KRA certainly needs to embrace Quality Assurance in doing its business to continue achieving the ever increasing Revenue Targets.

Workshop on Customs Valuation Risk Management

In June 2003 the Commissioner of Customs & Excise Department presided over this workshop in Mombasa, Kenya which was organised under WCO/USAID Valuation Technical Assistance to Sub-Saharan Countries.

The facilitators during the workshop were experts from the Dutch Customs Service. However, the Netherlands Government has also consistently assisted WCO in providing technical assistance to developing countries among which Kenya has benefited.

Training Workshop by CCRA

In June 2003, an expert Mission from Canada Customs and Revenue Agency (CCRA) conducted a training workshop under the going WCO/USAID Valuation Technical Assistance Programme for the Sub-Saharan African Countries. The course content was broad and included among others:-

- Organisation of the Post-Import Audit (PIA) unit.
- Risk Assessment and Risk Management Systems.
- Profiling and compliance Checks.
- Document Analysis in PIA.

From this workshop, it became apparent that KRA needs to establish a PIA Unit to facilitate international trade.

KRA Attends WPRF

In June 2003, KRA sent two representatives to attend the World Public Relations Festival (WPRF) held in Rome, Italy, an event which attracted more than 400 participants from over 30 countries.

This festival offers participants an opportunity to exchange professional knowledge and competence on the current status of best practices in Public Relations around the world.

Graduate Trainees Graduate

KRA held a colourful graduation ceremony on 1 August 2003 for the 138 graduate trainees on completion of their 18 month training which run between January 2002 – June 2003 and covered four modules on Customs & Excise, Income Tax, VAT and Road Transport Acts.

They have now been divided and posted to various departments and sections of the Authority to start working and help build the much needed capacity.

Income Tax Department Conducts Refresher Courses

The department has successfully completed three different Refresher Courses which run between January and June 2003 covering four different delivery Programmes as follows:-

<u>Programme</u>	<u>Officers Trained</u>
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- Taxpayer Audit -	126
- Debt Management -	108
- Non-Filer and Taxpayer -	112

Recruitment

It is hoped that the outcome of this will be better performance by the officers as well as the department due to improved skills of the beneficiaries of the courses.

Taxpayer Education Intensifies

The last two quarters ending in June 2003 saw intensified efforts towards the area of Taxpayer Education. This became necessary with the realisation that an educated Taxpayer is likely to be more compliant than an ignorant one.

Therefore, the Income Tax Department has been actively addressing various for a covering traders, employees, trade organisations, professional bodies etc with the principal theme being "**Cost of Non-Compliance**" and more of such awareness Seminars have been lined up for the new financial year just started.

KRA's Commissioner of Customs to Head WCOESA

The Commissioner of Customs & Excise Department, Mr Mumo Matemu took over as Chairman of the 20 – Member World Customs Organisations for Eastern and Southern African (WCOESA) Region in June 2003 for a two-year term following elections held in Bvumba-Mutare, Zimbabwe in April 2003 during the annual meeting of WCOESA Heads of Customs Administrators. He will therefore represent the region in the WCO Policy Commissioner and the Regional Secretariat moves to Nairobi, Kenya for the duration of his term, however, the Regional Training Co-ordinator remains in Uganda.

MALAYSIA

Country Correspondent:

Madam Asriah Shaari

New Strategies Towards Stimulating the Nation's Economic Growth

To sustain the economic growth and ensure an efficient, resilient and competitive capital market, the Government had on 11 March this year announced 10 new measures to stimulate and strengthen the capital market. To further reinforce these measures and ensure Malaysia's economic fundamentals remain strong in the medium and long-term, the Government once again undertook immediate initiatives to formulate policies and strategic pro-growth measures under the Package of New Strategies. The Prime Minister of Malaysia announced this package on 21 May 2003.

The Package focuses on 4 main strategies, aimed at generating economic activities by mobilizing domestic sources of growth as well as reducing Malaysia's dependence on the external sector.

The 4 strategies are as follows:

- Promoting private investment;
- Strengthening the nation's competitiveness;
- Developing new sources of growth; and
- Enhancing the effectiveness of the delivery system.

The recommended improvements to the existing tax incentives to further enhance the nation's competitiveness are:

- Extension of Pioneer Status and the Investment Tax Allowance under the pre-package scheme;
- Group relief;
- Double deduction for R&D expenses;
- Second round Pioneer Status or Investment Tax Allowance for R&D companies;
- Income tax exemption to existing Operational Headquarters (OHQ);
- Increasing income tax exemption for Malaysian International Trading Companies; and
- Value-added activities in free industrial zones or licensed manufacturing warehouses.

The Chief Executive/Director General of Inland Revenue Board, Malaysia, Dato' Zainol Abidin bin Abdul Rashid, has been awarded one of the highest honours by His Majesty the King of Malaysia on 7 June 2003.

The award, which is the Second Grade of the Order of the Yang Mulia Seri Mahkota Malaysia, carries the title of 'Tan Sri'. This award was bestowed on Tan Sri Dato' Zainol Abidin bin Abdul Rashid in recognition of his meritorious and outstanding service to the country as a government servant as well as for his other contributions to society.

Tan Sri Dato' Zainol Abidin was appointed as the Chief Executive/ Director General of the Inland Revenue on 1 August 2000 as reported in our CATA Newsletter. Since his appointment, the Inland Revenue Board Malaysia has progressed tremendously in all areas of its activities. This award is a testimony of his very dynamic and able leadership.

MALTA

Country Correspondent:

Mr Carmel Conti

Reinvestment Tax Credit for SMEs

Regulations have been issued to provide for the granting of an incentive to small and medium sized enterprises that meet certain criteria. The incentive is in the form of a tax credit based on the profits reinvested within the business in approved projects.

Reduction of Additional Tax

New rules have recently been published, empowering the Commissioner of Inland Revenue to reduce additional tax in cases of omissions made from a tax return and in cases of late filing of the income tax return.

The new rules provide for the circumstances in which the additional tax can be reduced by 50%, 90% and even in full.

The Commissioner may, for example, wholly remit the additional tax when he is satisfied that reasonable care has been taken by the taxpayer in making his return.

In determining whether reasonable care has been exercised, the Commissioner will take account of whether the taxpayer has sought the written advice of a tax professional and of the complexity of the legal provisions involved.

Any such tax advice is to be submitted with the return. The fact that the Commissioner does not agree with the contents of a tax advice does not mean that reasonable care has not been taken. However the Commissioner may refuse any tax advice which he deems to be spurious or frivolous. Such decision by the Commissioner's (i.e. whether the tax advice was spurious or frivolous) is subject to appeal.

Double Taxation Conventions

Republic of Estonia

The Convention between Malta and the Republic of Estonia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income that was signed on the 3rd May 2001 has entered into force on the 22nd January 2003 and its provisions shall have effect in Malta as from the year of assessment 2005.

On the same date of signature of the Convention, Malta and the Republic of Estonia signed a Protocol whose provisions form an integral part of the Convention.

Belgium

The Double Taxation Agreement between Malta and Belgium has been amended through a Supplementary Agreement that was signed on the 23rd June 1993. The Supplementary Agreement has entered into force on the 17th October 2002.

The consolidated version of this convention can be accessed on the internet at:

<http://docs.justice.gov.mt/lom/legislation/english/subleg/123/63.pdf>

Republic of Slovenia

The double tax treaty between Malta and the Republic of Slovenia together with the Protocol to this treaty which were signed on the 8th day of October 2002 has entered into force as from the 12th of June 2003.

SINGAPORE

Country Correspondent:

Mr Tan Tie Wee

IRAS Wins the Singapore Quality Award

1. IRAS won the Singapore Quality Award (SQA) in July 2003 – only one of four public sector organisations in Singapore to have won the prestigious award.
2. Modelled after the universally accepted standards found in the US Malcolm Baldrige National Quality Award, the European Quality Award and the Australian Business Excellence Award, the SQA is a symbol of world-class business excellence.
3. IRAS Quality Policy states that IRAS is "committed" to providing excellent service and to continually improving in the way [IRAS] excel[s] in meeting our customers' needs and expectations." Indeed, the Award is the fruit of IRAS relentless efforts at providing quality service to the taxpayers. IRAS will continue to strive to exceed its own impeccable quality standards.

Tax Policy and Administration Course 2003

(1) Singapore successfully hosted the Tax Policy and Administration on Course (TPAC) 2003 from 14-25 July.

(2) The objective of the TPAC is to provide participants with an understanding of Singapore's tax administration and policy formulation. A total of 22 countries sent representatives to attend the course this year.

Waiver of Requirement to Seek Approval to Pay Normal Exempt Dividends

(1) Presently, a company that intends to pay normal exempt dividends out of its current accounting year's profit immediately after the accounting year-end but before the income is assessed to tax is required to seek prior approval from IRAS.

(2) With immediate effect, IRAS no longer requires companies to seek approval for this purpose. Companies can now proceed to declare normal exempt dividends without applying for approval. This change is part of IRAS effort to simplify rules and procedures for companies.

UNITED KINGDOM

Country Correspondent:

Jas Sahni

Inland Revenue Employee Saves Over £ 2 Million Of Public Money

Christine Golden has been named Outstanding Public Servant of the Year. She was selected from 300 nominees for her pioneering approach, commitment and determination in successfully leading an initiative to encourage and persuade 67 large employers to pay their tax and national insurance contributions on time. She brought forward £1 billion in delayed payments resulting in the saving of over £2 million in interest for the delivery of public services.

The Public Servant of the Year Awards is an annual event to recognise the achievements of people working in public industries. This covers both central and local government including those in Education, Health, Housing and Uniformed Services. There are 13 individual categories with the overall winner being the person judged to be the best of all entries in all categories. The 2003 awards were held on 12 May 2003 at the Marriott Hotel, Grosvenor Square, London. They are organised by Public Finance magazine in partnership with the Chartered Institute of Public Finance and Accountancy, the Cabinet Office and the Office of Government Commerce.

Receivables Management Service is the part of the Inland Revenue responsible for receiving payments made on time, pursuing overdue payments, maintaining accounting records and pursuing overdue tax and national insurance contributions returns from employers and individuals.

New Incentive For UK Firms To Develop Life Saving Drugs For The Developing World

A new tax credit to encourage UK companies to increase research and development (R&D) into vaccines and medicines for tuberculosis, malaria and HIV/AIDS - the killer diseases of the developing world - apply from 22 April 2003.

The new tax credit forms part of a package of measures introduced in the 2002 Budget to tackle the diseases primarily affecting developing countries. Every year, about six million people - mostly in the world's poorest countries - die from tuberculosis, malaria and AIDS.

UK companies can already claim additional tax relief (R&D tax credits) for qualifying R&D spending. Small and medium companies can claim an extra 50%, giving 150% relief in total, and other companies can claim an extra 25%, making 125%. This reduces the amount of tax they have to pay, giving an incentive to spend more on R&D.

The new vaccines research relief applies to spending from 22 April 2003 and increases the deductible amount by an additional 50% for expenditure on R&D into drugs and vaccines. Companies are also able to claim the relief on financial contributions to charities, universities and scientific research organisations conducting research into these diseases.

The measures in the 2002 Budget are in turn part of a wider range of related initiatives, national, European and world-wide, such as the UN's Global Fund to Fight AIDS, TB & Malaria, and the EU plan on Access to Medicines.

The tax relief is designed to focus on the forms of the diseases most prevalent in the developing world. In particular it applies to R&D into -

- vaccines or drugs for the prevention or treatment of tuberculosis
- vaccines or drugs for the prevention or treatment of malaria
- vaccines for the prevention of infection by HIV, and
- vaccines or medicines for the prevention of the onset, or the treatment, of AIDS resulting from infection by HIV in Clades A, C, D or E only. (These are the specific forms of HIV that are prevalent in the developing world.)

Double Taxation Conventions (DTCs)

The UK Government reviews its DT priorities each year to ensure that the treaty network continues to meet the needs of the business community 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.

The Inland Revenue plans to complete work on new treaties with Australia, Chile, Croatia, France and Slovenia, and to complete the work on Protocols to the existing treaties with Belgium, Italy and New Zealand. It intends to progress negotiations with Bahrain, Botswana, Georgia, Germany, Namibia and Saudi Arabia.

The Inland Revenue also has plans for new or updated DTCs with Hong Kong SAR, Iran, Luxembourg, Poland, Serbia and Montenegro and Thailand.

The text of the Protocol amending the DTC between the UK and Canada (signed in London on 7 May 2003) and the text of the Protocol amending the DTC between the UK and Mauritius, (signed in Port Louis on 27 March 2003) were approved by the Ninth Standing Committee on Delegated Legislation in the House of Commons on 3 July 2003. Both have been published as a Schedule to a draft Order in Council.

The draft Orders will be considered and made by the Privy Council in due course. The Orders in Council in respect of both Protocols will enter into force once the respective parties have completed the necessary legislative procedures and have notified each other of that fact.

A comprehensive DTC between the UK and Chile was signed in London on 12 July 2003 by the Chief Secretary to the Treasury Paul Boateng and the Chilean Finance Minister Mr Nicolas Eyzaguirre. The text of the new Convention can be accessed on the Internet at www.inlandrevenue.gov.uk/pdfs/uk/chile_dtconvention.pdf. The text will in due course be laid, as a Schedule to a Draft Order in Council, for consideration by the House of Commons.

Consultation Launched on Scheme to Counter Cross-Border Tax Evasion by Individuals

A consultation on the collection of information on the payment of savings income to overseas residents has been published on the Inland Revenue's website. This will enable the UK to implement the European Directive on the Taxation of Savings, which was adopted at a meeting of the ECOFIN Council on 3 June 2003.

The consultation looks at the detail of the proposed scheme, who is affected and how it may work in practice, building upon the current reporting regime for interest payments under sections 17 and 18 Taxes Management Act 1970.

Businesses and public bodies that make savings income payments to, or collect savings income payments for, individuals resident overseas will have to report details on the individuals, and the payments made, to the Inland Revenue. Businesses affected may include:

- building societies, banks and other deposit-takers;
- registrars, custodians and nominees;
- authorised unit trusts and open-ended investment companies; and
- any other person who makes savings income payments in the course of their business or profession (for example, lawyers and stockbrokers).

Reports will be made annually. The details that have to be reported about individuals will include information on their identity and residence. Different rules will apply depending on whether individuals became a customer of the person paying the savings income before or after 1 January 2004.

The Finance Act 2003 includes legislation that will enable the Inland Revenue to collect information about the payment of savings income to overseas residents and to exchange it with other countries.

The Directive will not take effect before 1 January 2005. The precise date is dependent on by when EU countries have reached agreements with certain associated and dependent territories and third countries.

Under the Directive, the tax authorities are required to provide information to other tax authorities within six months of the end of their fiscal year. If the Directive takes effect from 1 January 2005, the first reports from UK paying agents, covering the period from 1 January to 5 April 2005, will be required by 30 June 2005. This will enable the Inland Revenue to process and collate the reports, and provide information to overseas tax authorities by 5 October 2005.

As an alternative to exchanging information about cross-border payments, three EU countries (Austria, Belgium and Luxembourg) will, for a transitional period, impose a withholding tax. UK residents receiving interest from these countries may request that tax is not withheld by either:

- authorising the paying agent to report information about the savings income payments made under the normal exchange of information procedures; or
- presenting the paying agent with a certificate drawn up by the Inland Revenue, detailing the payments, which are thereby authorised to be made without deduction of the Directive withholding tax.