The Commonwealth Association of Tax Administrators

CATA Conference 2009 in Lilongwe

CMDP 2009 in Mauritius

CATA Conference 2010 in Nigeria

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Editorial

Income splitting and diversion

When academic writers or financial analysts talk about tax evasion, the problem seems very uncomplicated and straightforward; one which in their assessment remains unresolved purely because of the inefficiency, lack of effort or bad planning on the part of policy makers and in particular tax administrations. Most advisory leads seem based on the assumption that tax evaded money is tucked under the evader's double bed mattress which tax auditors are either too lazy to lift and discover or chose not to do so from motives of corruption. The harsh reality is very far away from such simplistic assumptions. Some percentage of tax evasion can be attributed to corrupt practices but tax evaders are smart people. They will not allow tax officials to pick their pockets without having to work hard enough to "earn" their extra incomes. So let us forget about the intellectual theories of mattress evasion and attend to ground realities of real life.

The topic of tax evasion is so broad that even at international tax conferences spread over two days, the topic in narrowed down to specific components to ensure that justice is done through in-depth deliberations rather than skating meaninglessly over a large surface. Amongst the wide variety of evasion tools practiced worldwide is the practice of income splitting. It can be done as an avoidance tool where loopholes can be found but the purpose of this piece is to focus on the evasion aspect of the practice. As the description suggests, the tool is designed to reduce tax burden by splitting income into smaller chunks of allocated money or reallocating income to sources where it does not actually belong that will result in the application of lower tax rates, multiple use of tax free allowances and consequently lesser tax liability. May be this explanation was not even required but it helps in setting the scene for subsequent discussion.

Where a taxpayer's income goes up and consequently the burden of tax, very often new characters are brought into the equation. In developed countries, one would normally

bring in partners who are generally not involved in business affairs, sometimes not even aware of the use of their existence by a tax evader. This is where theft of identities becomes a lucrative business. In developing countries children and such relatives as uncles, aunts and nephews are drafted into accounting records. A completely illiterate or unsuspecting uncle or aunt is the ideal income splitting partner. In developed countries, children and relatives are economically smarter and therefore potentially more dangerous even as sleeping partners.

Sometimes a new firm is set up. If a genuine firm comes into existence that helps to reduce the tax burden, it would fall under an avoidance scheme. It is the bogus firm that constitute the tool for evasion. A bogus firm with new partners or a new bogus partner in an existing business can be introduced where the taxpayer needs to introduce new capital in his business which he cannot show from his own declared sources of income and capital. Because he is introduced as a sleeping partner, he would not ordinarily draw any salary and therefore leave more income at the disposal of the bogus firm owner.

Establishing the bogus credentials of such a business requires good investigation, insight into distribution of shares and responsibilities within a firm and evidence to establish the "fictional" set up of a business with the intent of evading tax. All this will certainly never be found under a bed room mattress! Tax evaders are aware of the difficulties faced by tax inspectors and auditors and will arrange their affairs so as to make it as difficult as possible to establish the truth. This includes moving goal posts during investigations, such as sending a potentially dangerous partner abroad on a long holiday. If the business relates to crime or mafia activity, sleeping partners unaware of their utility to the user can be less lucky and be despatched to graveyards than on tours abroad. It is reasonable to assume that a deceased sleeping business partner is less likely to cooperate with a tax evasion investigation than someone who is a regular consumer of atmospheric oxygen.

In developing countries in particular, large family businesses use family members as buying or selling agents through creation of agencies that have no existence in reality. They play no practical role what-so-ever but incomes are allocated to them as an income and splitting device. The best way to dismantle the set up is through systematic cross examination of these appointed agents. Invariably they are unable to explain details of their business activities or the business itself under systematic and meticulous interrogation because their role is limited to business documentation only.

Until the 1990s, many developing countries had taxes on wealth on their statutes. Some also had taxes levied on gifts made. These were gradually abolished as unproductive and capital generation hindering economic devices. As a general commonsense rule, taxes on wealth were relevant to the economically better-off segments of society, those who could accumulate wealth through incomes well beyond their spending requirements. Gifts of large sums of money were normally also made by such people. While wealth and gift taxes in themselves did not yield substantial amounts of revenue, their presence on the statute books was seen as a major hurdle in income splitting practices. Accumulated untaxed money was gifted to non-income earning members of

family to introduce them as business partners in family concerns to spread out incomes to lessen the tax burden. Gift taxes stood in their way, not because of the gift tax amount involved but the fact that gifts made had to be reported for purposes of gift tax thereby bringing transactions on official record which in turn had consequences for income tax purposes. Wealth taxes had similar side effects. All assets had to be declared which meant making a commitment about assets owned and involved risk taking decision of either including or concealing an asset. Somewhat like the use of tax havens for international transfer pricing purposes, tax exempt or holiday sectors like income from agriculture in some countries, incomes earned through taxable activities were easily attributed to tax holiday sectors in varying proportions.

With wealth and gift tax transactions verifiable through records of tax departments, unconstrained manipulation was hindered to some extent. In the absence of any record of accumulated wealth, assets ostensibly relating to tax exempt sectors can suddenly be created to meet the need of new capital for income tax purposes. Another difficulty was the fact that whereas assets were valued at actual price for income purposes, wealth valuations were made at market values. Therefore it was more difficult to manipulate the market values of these assets at will depending on the need to reveal or conceal the true market value required for income tax purposes. Residential properties are the major investment targets of untaxed wealth. Quite often such properties are built entirely with untaxed earnings. In the absence of taxes on capital assets or wealth, most taxpayers opt to build such properties in the name of a reliable or unsuspecting friends or relatives. In the absence of a gift tax, it is far more convenient to transfer the title of a property from one name to another to meet contingency or emergency needs for income tax purposes.

Policy makers who lack knowledge about the implications of manipulation of tax laws or are driven by personal or political vested interest can wittingly or out of ignorance cause far more widespread economic and revenue damage than may seem to be the case at face value. Unfortunately, vested interests generally tend to have more access to political ears than professionals capable of giving sound and sensible advice. That is a fact of life. It is unlikely to be reversed in the real world but efforts short be continually directed at minimising the damage.

CATA News

THIRTIETH CATA ANNUAL TECHNICAL CONFERENCE 2009

Arrangements for the 30th CATA Annual Technical Conference in Malawi are going ahead as planned. The Conference programme has now been finalised and will be circulated shortly to all members.

Delegates are again reminded to register early to avail the discounted hotel booking rates in time.

Invitations have been extended to special guests from non-member countries and international organisations. The Conference will be held at the Crossroads Hotel.

The following two topics will be discussed at the Conference:

1. **Strategies for taxation of cash and transactions.**
2. **Current developments in organising for effective tax administration.**

Important information about the Conference can be obtained from the CATA website at **www.cata-tax.org**

COMMONWEALTH MANAGEMENT DEVELOPMENT PROGRAMME (CMDP) 2009

The Commonwealth Management Development Programme for tax administrators for 2009 will be held at the **Mauritius Revenue Authority Headquarters in Port Louis, Mauritius** from **19 October to 13 November 2009.**

Resource Persons

Experts from Inland Revenue, New Zealand, the Australian Taxation Office, and the Mauritius Revenue Authority will deliver the course materials.

Eligibility

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

Course intent

To enhance the leadership capability of participants so they can more effectively manage people, processes and systems within their revenue system.

Course Objectives

1. Enable participants to review and revisit their management and leadership practices
2. Develop participant's confidence to enable them to apply new skills to the workplace
3. Challenge participant's current thinking and practice
4. Create an active learning environment
5. Model team work and team learning processes
6. Broaden participants' knowledge of certain key areas of tax administration
7. Examine trends in Commonwealth tax administrations
8. Share and examine different and best practices in certain areas of tax administration
9. Develop or extend their planning, evaluation and project management skills

Further details about the workshop will be released shortly.

MANAGEMENT COMMITTEE MEETING (MCM) MAY 2009

The Management Committee of CATA held its annual meeting in London on 7 and 8 May 2009. It was preceded by the meeting of the Performance Evaluation Committee a day earlier.

The Committee approved the recommendations of the Performance Evaluation Committee regarding nomination of the following Country Correspondents for their performance and contribution to CATA's activities during the calendar year 2008:

Nominated Country Correspondents for 2008

a. **Ms Sarah Safransky - Australia**
b. **Ms Christina Lee - Canada**
c. **Mr. Malik Tukur - Nigeria**

Venue for CATA Conference 2010

The **31st CATA Annual Technical Conference** will now be hosted by Nigeria instead of Fiji. Nigeria was originally notified as the host country for 2011 but has now offered to host it in 2010. The Management Committee of CATA has accepted the offer. Further information about the conference dates, arrangements and topics for discussion, etc. will be circulated in due course.

APPOINTMENTS

New Country Correspondents

Pakistan

Mr Muhammad Ashfaq Ahmed, Secretary (International Taxes Policy), Federal Board of Revenue is now the newly appointed Country Correspondent and has replaced Mr Muhammad Riaz.

COMSEC NEWS

Commonwealth to set up one-stop shop on the web

Partnership platform portal to fill information gaps on wide range of development topics

An online one-stop shop is being explored by the Commonwealth to provide a wealth of information which can be accessed by anyone across the world. This information aims to plug the gap in knowledge that is unavailable in one place on a number of important topics. The so-called 'Partnership Platform' will be used by anyone from a farmer looking for a partner in another Commonwealth country to help extend his or her business, to an entrepreneur wishing to explore different renewable energy options.

Commonwealth Secretary-General Kamalesh Sharma used a speech at Chatham House in London to discuss his plan, which he argues is a vital communication and partnership tool in an increasingly globalised world.

"The fact that we are a modest body financially does not preclude us from having good ideas and globalising them," said Mr Sharma. "We have a strong record in making our ideas available to the world – as the first real international community after the Second World War, as initiators of debt relief for the poorest countries, as pioneers of the science of small states, and much more. With solutions to development now, there has to be a digital bridge," he explained, stressing that this is something the Commonwealth can do. "None of this requires us to be challenging the turf of any other institution," he added.

The Secretary-General also invoked Malcolm Gladwell's book *The Tipping Point* which says that when the time is right for an idea, it doesn't matter where it comes from.

"The world today is a crowded place, but it is also a place for people who are contributing to that which is desirable," he said, to emphasise the importance of such a partnership platform, and other current aspects of the Commonwealth's work.

In his speech, on 28 April 2009, Mr Sharma examined the relevance of the Commonwealth – 60 years to the day that its colonial ties came to an end, and a modern association of free and equally associated member countries was born. He looked back at the modern Commonwealth's history, and how it was and continues to be strong and credible in the world today.

He recalled comments made by King George VI after leaders agreed the 1949 London Declaration, which outlined the Commonwealth as a free association. The King praised the leaders for their "adaptability, wisdom and toleration". These strengths were with the Commonwealth as it was formed, and continue to be a part of it today, Mr Sharma argued. And in an interdependent world it is this 'wisdom' which is going to matter in the 21st century, as the Commonwealth looks ahead to its next sixty years

New online encyclopaedia for the Commonwealth is launched

Commpedia will allow Commonwealth organisations and associations to share information on their activities across the 53 member countries. An online encyclopaedia for the Commonwealth, which will become a comprehensive repository and platform for Commonwealth related issues, comment and materials, was launched today.

Commpedia will allow all accredited Commonwealth organisations and associations to post material about

themselves to promote their own causes, reach out to different audiences and build up support. Although there is no formal connection to Wikipedia, the principle of shared involvement will be the same, only the focus will be exclusively on the Commonwealth.

Users will be able to contribute a broad range of material onto this single platform from listing upcoming events to posting news, correcting misconceptions and engaging in debate on a number of issues. Many of the Commonwealth's worldwide network of professional and advocacy organisations focus on similar areas of work which affect policy, political or social aspects of Commonwealth life.

Commpedia aims to help these organisations know more about each other and encourage greater collaboration with and awareness of the many projects which take place throughout the Commonwealth's 53 member countries.

Marlborough House - celebrates 300th anniversary

Commonwealth Secretary-General Kamalesh Sharma hosts a reception evening to celebrate the 300th birthday of Marlborough House. To celebrate the 300th anniversary of the building of Marlborough House – home of the Commonwealth Secretariat and Commonwealth Foundation – the Commonwealth Secretary-General, Kamalesh Sharma, is hosted a reception for the Duke of Marlborough, historians, architects and other guests on 21 May 2009.

As part of the celebrations, a painting of the first Duchess of Marlborough, Sarah Churchill (1660-1744), was unveiled. The Duchess, who was a close friend of Queen Anne, was the mastermind behind the building, and laid its foundation stone on 24 May 1709. Ophelia Field, historian and author of 'The Favourite: Sarah, Duchess of Marlborough', said: "Sarah was an incredibly intelligent woman, and very charismatic. But she also had a very quick temper, and a lot of pride. The actual building of Marlborough House, as with all her projects, was quite a stormy business. She micro-managed the whole thing, and got extremely angry when things ran over cost."

The painting, done by Charles Jervas, makes its return from its former temporary home in 10 Downing Street. It shows the Duchess with her hand touching her head, symbolising intellect.

The Duchess first secured the lease of the Marlborough House site from Queen Anne and, after falling out with her architect Sir Christopher Wren, supervised the completion of the house. The building is home to paintings of the Duke's battles (Blenheim 1704, Ramillies 1706, Oudenarde 1708, Malplaquet 1709), and was built using red Dutch bricks brought to England as ballast in the troop transports that had carried soldiers for the Duke's army in Holland.

The house would be home to subsequent Dukes of Marlborough, princes, queens and kings until 1953.

In September 1959, Queen Elizabeth II allowed the house to become a Commonwealth centre, and in 1965 it

became the home of the Secretariat and the Foundation.

Mr Sharma said: “We are proud to honour the memory of this remarkable woman, Sarah Churchill, and to thank Her Majesty The Queen, the Head of the Commonwealth, who allows us to work from this beautiful building. “The Modern Commonwealth is 60 years old this year, and is proud to be a modern organisation helping the citizens of its member countries to face the challenges of their times. Equally, it is conscious of the legacies of history – and one such legacy is this great building, and all its associations. Our future direction is all the clearer for having an appreciation of the past.”

Some facts about Marlborough House:

Marlborough House has been the London residence of five Dukes and Duchesses of Marlborough, three dowager Queens, three Princes of Wales (the future Edward VII, George V and Edward VIII), and Prince Leopold of Saxe-Coburg-Saalfeld, who became King of the Belgians. In 1840 a wedding banquet for the marriage of Queen Victoria and Prince Albert was held at Marlborough House by Queen Adelaide, who lived there after King William IV’s death.

In 1936 Edward VIII dined in the Delegates’ Lounge before announcing to his mother, Queen Mary, in her private apartments upstairs, his intention to marry Wallis Simpson, and thereafter to abdicate the throne. The chimney-piece in the entrance hall is timber with a carved head of Apollo (possibly a reference to King Louis XIV of France – sometimes called the Sun King – whose forces were defeated by the Duke of Marlborough).

The wall paintings on the Ramillies Staircase (the Royal Staircase) are by Louis Laguerre, and show the second of the Duke’s victories, the Battle of Ramillies in 1706. Marlborough fell from his horse early in the engagement with the French, and when he was being remounted on a spare charger, a cannonball flew over the back of the horse and decapitated Colonel Bringfield, who was holding the stirrup. The decapitated officer is shown in the painting. The paintings on the Malplaquet (or Visitors’) staircase are by Laguerre and show Marlborough’s final battle in 1709 where 24,000 of Marlborough’s men and between 12,000-15,000 French men died. The painting to the left shows peasant women stripping dead soldiers of their uniforms to be sold back to officers who reissued them to replacement troops.

After the Duke of Marlborough’s death in 1722, his body lay in state in the Green Room, which was hung with black velvet. The vast table in the main conference room was a gift from Commonwealth governments in the 1960s, and has had to be enlarged at various times as the number of Commonwealth members has grown. Marlborough House is home to 300 staff at the Commonwealth Secretariat, the international and independent secretariat which services the growing Commonwealth. It has been the venue for a number of independence negotiations and many Commonwealth conferences, including summit meetings of Commonwealth Heads of Government.

Members News

Australia

Country Correspondent:
Ms Sarah Safransky

Financial stimulus package

In response to the global financial crisis, the Australian Government has put together a stimulus package that includes targeted bonus payments to assist households and support economic growth in 2008-09. The ATO has had to adapt its compliance focus in response to the changing economic conditions to meet community needs and is responsible for distributing payments to 8.7 million Australians. More information about the stimulus plan can be found at http://www.economicstimulusplan.gov.au/bonus_payment.htm.

ATO disaster response framework

Parts of Australia have experienced significant natural disasters this year in the form of flooding and bushfires. The ATO responded to these crises by undertaking a range of measures, including a rapid response group comprised of staff from across the organisation, to ensure that the assistance and support needed was provided. The ATO has also developed a disaster response framework to enable us to better support the community in future disaster situations. The framework has been established with the aim of ensuring that we have a well coordinated and consistent approach and has been designed to provide a useful tool for our people in dealing with disasters. Please email our international relations area for more information on the framework (internationalvisitorsprogram@ato.gov.au).

Tax Information Exchange Agreement

A Tax Information Exchange Agreement (TIEA) was recently signed with the Isle of Man. This is the fifth such arrangement entered into by Australia with off-shore financial centres. The TIEAs are an important compliance tool for the ATO. The Australia-Isle of Man agreement provides for full exchange of information on request in both criminal and civil matters with respect to income tax.

Making it easier to comply

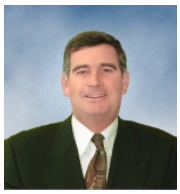
'Making it easier to comply' is our annual publication describing our current and future priorities in delivering better services. This is the first year it has been published through our website only. It can be accessed at http://www.ato.gov.au/corporate/content.asp?doc=/content/00169210.htm/.

Suntory (excise matter)

The ATO received a favourable judgment in the case of *Suntory (Aust) Pty Ltd v Commissioner of Taxation* [2009] FCA 348. Referred to as the 'alcopops' case – a reference to the premixed drinks being targeted for additional excise duty – it dealt with an increase in the rate of excise in advance of the passage of legislation through Parliament. Subsequent to this, the legislation was not passed by Parliament. The Federal Court held that it was not unlawful for the Commissioner to collect the increased excise duty and proceedings were stayed. The case has been appealed and is soon to be reheard.

Canada

Country Correspondent:
Ms Christina Lee



Mr. Peter Estey, Assistant Commissioner Atlantic Region is the new CATA Country Representative for Canada.

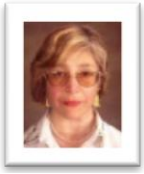
Peter Estey joined the Canada Revenue Agency in October, 2006, from Dalhousie University where he had been on an interchange as Federal Public Servant-In-Residence in the Faculty of Management.

Peter's public service career spans 25 years in the Canadian Navy and, more recently, positions with the Atlantic Canada Opportunities Agency including: Vice-President, ACOA New Brunswick; Vice-President, Programs and Development and Vice-President Finance and Corporate Services.

Mr. Estey is a native of New Brunswick. He holds a Bachelor of Commerce (Economics) degree from Mount Allison University and a Master of Business Administration degree from Saint Mary's University. He is a graduate of the United States Armed Forces Staff College and a Certified General Accountant.

Cyprus

Country Correspondent:
Mrs Athina Stephanou



The legal and regulatory framework of NGOs (Non-governmental Organizations)

A need has been identified for the amendment of the legal and regulatory framework of non-governmental organizations in Cyprus, due to the existence of old legislations. Non-governmental organizations can be defined as those organizations with a non-profit purpose, registered under specific laws, with certain objectives. Under certain conditions and provided their objectives are for the benefit of the society as a whole or are addressed to a disadvantaged group of people e.g. mentally handicapped etc , NGOs can be certified as charitable or public benefit organizations.

As a result of the need identified and with the initiative of the Planning Bureau , in 2007 an expert from the European Centre for Not for Profit Law ,visited Cyprus ,recorded the existing framework and made suggestions for improvement. This work was sponsored by the UNDP –ACT (United Nations Development Programme Action for Cooperation and Trust) . UNDP –ACT in Cyprus aims at creating opportunities for both Greek and Turkish Cypriots to work together on projects for the benefit of the people in Cyprus. The project also involved a study visit in Hungary and a regional conference organized in Cyprus.

Now we are at the stage of preparation of draft legislations. For this work an expert has been appointed, sponsored by UNDP-ACT.

As regards direct taxation it has been identified that it is necessary to amend legislation to take into consideration the European Acquis, as described in the decisions of the European Court of Justice (ECJ) Stauffer C386/04 and Persche C318/07.
(**www.curia.europa.eu**) – select language, case law, numerical access.

The ruling in the Stauffer Case was

" Article 73b of the EC Treaty, in conjunction with Article 73d of the EC Treaty, must be interpreted as precluding a Member State which exempts from corporation tax rental income received in its territory by charitable foundations which, in principle, have unlimited tax liability if they are established in that Member State, from refusing to grant the same exemption in respect of similar income to a charitable foundation established under private law solely on the ground that, as it is established in another Member State, that foundation has only limited tax liability in its territory. "

"Article 73b and 73d now Arts 56 EC and 58 EC – Free movement of Capital."
In other words it is contrary to the fundamental freedom of free movement of capital, to tax differently non-resident charitable institutions, established in another member state, on the basis that they have not been established in a specific state, provided that if established in the specific state they would have been approved as charitable institutions, in accordance with the National Laws of the specific state.

It is also contrary to article 24, (Non-Discrimination) ,of Model Tax Convention on Income and on Capital 2008 ,issued by OECD, to tax more burdensome persons in the same circumstances on the basis of difference in nationality . Furthermore permanent establishments cannot be taxed less favourably than residents, carrying on the same activities.

In accordance with paragraph 17 of Commentary on article 24, in the case of a legal person "national of a contracting state means a legal person "deriving its status as such from the laws in force in that contracting state ". That is where registered or incorporated.

In accordance with paragraph 10 of Commentary on article 24

"Likewise the provisions of paragraph 1, (relates to nationality), are not to be construed as obliging a State which accords special taxation privileges to its own public bodies or services as such, to extend the same privileges to the public bodies and services of the other State." In accordance with paragraph 12 … "this is not intended to apply to State Corporations carrying on gainful undertakings. "

In accordance with paragraph 11 of Commentary on article 24

"Neither are they to be construed as obliging a State which accords special taxation privileges to private institutions not for profit whose activities are performed for purposes of public benefit, which are specific to that State to extend the same privileges to similar institutions **whose activities are not for its benefits."**

In accordance with paragraph 47 of Commentary on article 24

"Finally the provisions of paragraph 3, (relates to PE), should not be construed as obliging a State which accords special taxation privileges to non-profit institutions whose activities are performed for purposes of public benefit that are specific to that State, to extend the same privileges to permanent establishments of similar institutions of the other State whose activities **are not exclusively for the first-mentioned State's public benefit. "**

We must always also remember that Double Tax Agreements are based on reciprocity.

The ruling in the Persche Case was

"1. Where a taxpayer claims, in a Member State, the deduction for tax purposes of gifts to bodies established and recognised as charitable in another Member State, such gifts come within the compass of the provisions of the EC Treaty relating to the free movement of capital, even if they are made in kind in the form of everyday consumer goods.

2. Article 56 EC precludes legislation of a Member State by virtue of which, as regards gifts made to bodies recognised as having charitable status, the benefit of a deduction for tax purposes is allowed only in respect of gifts made to bodies established in that Member State, without any possibility for the taxpayer to show that a gift made to a body established in another Member State satisfies the requirements imposed by that legislation for the grant of such a benefit. "

Therefore a donation to a charitable institution established in another member state must be allowed for deduction, provided the institution could be approved as charitable, under the National Laws of the specific MS, if established in the specific member state.

The Judgement of THE COURT (Grand Chamber) in Persche Case, included also the following paragraphs

"61 Moreover, the tax authorities concerned may, pursuant to Directive 77/799, call upon the authorities of another Member State in order to obtain all the information that may be necessary to effect a correct assessment of a taxpayer's liability to tax (*Centro di Musicologia Walter Stauffer*, paragraph 50). That directive provides, with a view to preventing tax evasion, for the possibility of national tax authorities requesting information which they cannot obtain for themselves (Case C-184/05 *Twoh International* [2007] ECR I-7897, paragraph 32).

68 In addition, where the Member State of establishment of the recipient body has a system of tax advantages intended to support the activities of charitable bodies, it will normally be sufficient for the donor's Member State to be informed by the other Member State, within the framework of mutual assistance under Directive 77/799, of the subject matter and detailed arrangements for the supervision to which such bodies are subject, for tax authorities of the Member State of taxation to be able to identify, with sufficient precision, the additional information which they need to verify whether the recipient body fulfils the conditions imposed by the national legislation for the grant of tax advantages."

The above indicates the importance the ECJ places on Mutual Assistance between Member States for better tax decisions, so cases where a restriction of a fundamental freedom is allowed is limited and where is otherwise fair e.g. preservation of allocation of power to impose taxes between Member States e.g. where profits are taxed losses are allowed, unless no possibility of losses to be absorbed in MS with taxing rights e.g. dissolution (See Lidl Belgian Case C 414/06, Marks and Spencer C 446/03).

Kenya

Country Correspondent:
Ms Alice A Owuor

- **Operating Economic Environment**

During the financial year 2008/09, economic performance was constrained by poor performance by key sectors such as agriculture, reflecting the impact of the post-election violence on farm production. This was compounded further by higher fertilizer and oil prices and failure of the short rains in 2008. During the nine months to March 2009 and for the 3rd quarter of the financial year 2008/09, key elements of the operating environment were:-

Inflation: The overall inflation rate accelerated from 21.9% in January 2009 to 25.1% and 25.8% in February and March 2009 respectively. Average inflation for the quarter was 24.3%. During the 1st and 2nd quarters overall inflation rate averaged 27.4% and 28.5% respectively.

Interest rate: The 91-day Treasury Bill rate declined during the quarter averaging 8.47% in January, 7.55% in February, and 7.31% in March leading to overall average rate for the quarter of 7.78%. During the 1st and 2nd quarters of the fiscal year 2008/09, the interest rate averaged 7.92% and 8.24% respectively.

Exchange rate: The Kenyan Shilling exchanged at Kshs. 79.54 to the US dollar in January, Kshs. 79.53 in February, and Kshs. 80.26 in March 2009, giving an average rate of Kshs. 79.8. The Sterling Pound averaged Kshs. 113.9, while the Euro averaged Kshs. 103.0 during the quarter. In the 1st and 2nd quarters of fiscal year 2008/09, the exchange rate averaged Kshs. 69.76 and Kshs. 78.41 respectively against the US dollar.

Nairobi Stock Exchange (NSE) Index: The NSE 20-share index declined from 3,199 points in January to 2,475 points in February and rose by 13.3% in March 2009 to close at 2,805 points. The index therefore declined by 12.3% during the period. Overall during the nine months to March 2009, the NSE 20-share index experienced a decline from 4,868 points in July 2008; to 3,387 points in October 2008; 3,199 points in January 2009, settling at 2,805 points at the end of March 2009.

The operating economic environment for the nine months thus recorded a below average performance with lower than expected growth, characterized by high inflation, depreciating shilling and a declining stock market. These conditions were not optimal for achieving high growth in revenues.

1. Revenue Performance in the 3rd quarter (January-March 2009)

The adverse economic environment experienced in the third quarter of the Financial Year (FY) 2008/09 impacted negatively on revenue performance during the period. However, despite these conditions, the Authority was able to realize a significant revenue growth rate of 14.5% compared to a similar quarter in FY 2007/08.

Table 1 below summarizes the revenue performance during the Third Quarter.

Table 1: (January to March) 2009 Revenue Performance (Kshs million)

Dept.	% of Forecast Revenues	Target 3rd quarter	Actual 2008/09	% Rate	Actual 2007/08	Growth over 3rd quarter 2007/08 (%)
Domestic Taxes	60.2%	69,466	66,631	95.9	57,403	16.1
Customs Services	39.1%	45,111	42,988	95.3	38,311	12.2
Road Transport	0.6%	724	578	79.9	549	5.3
Total	100.0	115,300	110,197	95.6	96,263	14.5

During the 3rd quarter of 2008/09 (January to March 2009), KRA collected Kshs 110.2 billion against a target of Kshs. 115.3 billion. This represents 23.4 percent of the financial year 2008/09 target.

In the quarter under review, Domestic Taxes Department collected Kshs 66.6 billion against a target of Kshs. 69.5 billion, while Customs Services Department collected Kshs. 43.0 billion against a target of Kshs. 45.1 billion. Road Transport Department realized a collection of Kshs**.** 0.6 billon against a target of Kshs. 0.7 billion.

KRA collected an additional Kshs. 13.9 billion in the 3rd quarter of 2008/09, representing a revenue growth of 14.5% over a similar quarter in 2007/08. Domestic Taxes Department recorded the highest revenue growth of 16.1% followed by Customs Services Department at 12.2%**.** Road Transport Department recorded revenue growth of 5.3% during the period under review.

2. Administrative Measures

During the third quarter, the Authority implemented the following administrative measures:

- Enhanced taxpayer Audits with a resultant revenue collection of Kshs 973 million
- Recruited a total of 40,066 new taxpayers, resulting in Kshs. 375 million in additional revenue.
- Intensified debt collection leading to collection of Kshs. 3.0 billion in debt arrears by Domestic Taxes Department.
- Overcame challenges experienced earlier with regard to connectivity between the Kenya Ports Authority's Kilindini Water Front Operating System (KWATOS) and KRA's Simba 2005 System interface leading to smooth flow of data between the two systems.
- Enhanced enforcement measures through Post Clearance Audits and auctions, with a resultant collection of a total of Kshs. 1.3 billion.
- Operationalized the Driving License Management System (DLMS), resulting in enhanced efficiency in processing driving licenses during the quarter under review.
- Conducted compliance checks to establish compliance of driving schools and their instructors with the

provisions of the Traffic Act Cap 403.

- The Authority conducted countrywide Transport Licensing Board (TLB) licensing meetings during the quarter, leading to collection of Kshs 22.7 million.
- **Cumulative Revenue Performance (July 2008-March 2009)**

Table 2 below summarizes the revenue performance for the nine months of 2008/09 (i.e. July 2008-March 2009).

Table 2: Cumulative Revenue Performance (July 2008 – March 2009) (Kshs million)

Dept.	% of Forecast Revenues	Target 3rd quarter	Actual 2008/09	% Rate	Actual 2007/08	Growth over 3rd quarter 2007/08 (%)
Domestic Taxes	60.9%	216,261	204,712	94.7	180,354	13.5
Customs Services	38.3%	136,048	134,337	98.7	118,476	13.4
Road Transport	0.7%	2,530	1,799	71.1	1,789	0.6
Total	100.0%	354,838	340,849	96.1	300,620	13.4

Revenue collection in the period July 2008 - March 2009 totaled Kshs. 340.8 billion against a target of Kshs. 354.8 billion. This represents a performance rate of 96.1 percent.

Compared to July 2007-March 2008 when Kshs 300.6 billion was collected, revenue grew by Kshs. 40.2 billion or 13.4%. Domestic Taxes Department recorded the highest revenue growth of 13.5% followed by Customs Services Department at 13.4%. Road Transport recorded revenue growth of 0.6%.

3. Implementation of Reforms

The Authority continued to implement reform initiatives through the Revenue Administration Reform and Modernization Programme (RARMP). Some of the reforms undertaken during the third quarter of 2008/09 were:

- The Authorized Economic Operator (AEO) scheme which was geared towards expediting the processing of Imports by compliant traders is now being expanded. A second group of taxpayers to be considered under the AEO has been identified for piloting and implementation of the same.

- The Kenya Revenue Authority Marine Unit which is charged with the responsibility of surveillance of our water fronts was also launched. Three patrol boats have so far been delivered for use by the unit. The establishment of the unit is expected to enhance KRA's surveillance ability along the coastline and within Lake Victoria and facilitate rapid intervention, and carriage of arrested persons and confiscated goods.
- The Authority commenced rollout of additional Online Services to compliment such services which were introduced in Customs operations in year 2005. This is in recognition of the fact that improved service delivery is the cornerstone of taxpayer compliance. Among the services rolled out during the period under review include: Online registration of taxpayers (this include

PIN application, and registration for a variety of tax obligations i.e. VAT, Excise Duty, PAYE and Corporation Tax) and Online filing of VAT returns. The Registration module is fully operational and cumulatively, to date more than 75,749 new entrants have registered online. Online filing has also picked up with more than 1,368 filing their monthly VAT returns electronically. In support of this new initiative, the Authority is currently focusing on marketing the new system for enhanced take up and wider usage as well as providing back up support. Other modules the Authority is currently working on include: e-filing of monthly Pay As You Earn (PAYE) returns, annual Corporation Tax and Individual Tax returns.

- KRA began piloting the Common Cash Receipting System (CCRS). The system provides a common platform for payment of taxes. It will also provide a platform for integration with banks' systems. Piloting commenced with payments for transfer of motor vehicles and VAT.

4. Other achievements

- On 5th December, 2008, KRA and Zanzibar Revenue Board (ZRB) signed a Memorandum of Understanding (MOU) in furtherance of efforts in Customs administration. Under the MOU, the two Authorities exchange information relevant to the administration and enforcement the tax laws of both countries, one of the current concerns being loss of revenue through diversion of goods meant for export as well as smuggling.
- The Authority has introduced unique number plates in a bid to crackdown on unscrupulous motor vehicle dealers who were found to be using number plates initially meant for motor cycles, tractors and other heavy machinery on high duty motor vehicles. The new series are intended to prevent fraud as there will now be a separate and distinct series of numbers for three wheelers, heavy machinery and tractors to identify the different classes.
- KRA scooped the top award in the Best Utilization of ICT by a public sector category for the second year running. This was during the 13th Annual ICT Convocation and Awards Gala dinner hosted by the Computer Society of Kenya, in Nairobi.

Lesotho

Country Correspondent:
Setsoto Ranthocha

Improved Revenue Performance Despite Global Crisis

The Lesotho Revenue Authority (LRA) has recorded yet another good tax year (1 April 08 to 31 March 09) in terms of revenue collection. The domestic revenues (inland VAT and Income Tax) collection and remittance to the government surpassed the targets by a massive twenty-six (26%). In 2004/05 tax year, a year after the LRA was established, the Authority recorded a deficit of 1.18% of the government target. Over the past six years 2003/04 to 2008/09 the inland taxes have almost doubled in absolute terms with income tax growing from M852.5 million to M1542.8 million, being 81% increase, while VAT grew from M519.5 million to M987.7 million, a 90% increase.

The improved revenue performance can be attributed to a number of reasons including the following:

- formation of the revenue authority by merging former three government

departments of Customs and Excise, Income Tax and Sales Tax into a single autonomous body,

- introduction of VAT, thus moving from general sales tax (GST),
- re-organising the revenue administration from a tax type oriented structure to more focused functional oriented structure and emphasising on customer and service delivery, including intensifying taxpayer education initiatives and outreach programmes,
- good performance in these sectors: mining which was until very recently inoperative, telecommunication which also recently saw revamping thereby making it more profitable and the commercial banking with increased profitability, and
- higher than expected inflation brought about mainly by the global increase in food and fuel prices. The inflation rate has jumped from the average 7% to just over 10%.

Law Administration and Policy Issues

The government of Lesotho has finalized and approved its first-ever tax policy document, ***"Lesotho Tax Policy"***. The document is an initiative and product of the newly established Tax Policy Committee which comprises of Ministry of Finance (responsible for policy) and LRA (responsible for policy and law implementation) officials and looks at issues related to tax policy formulation.

The main aims of the Lesotho Tax Policy include:

- formalizing the process of revenue laws formulation and development,
- setting out Lesotho's approach and standpoint in so far as the use of taxation as a tool for revenue mobilization is concerned, and
- setting out the general commitments to the general public and potential local and international taxpayers with regards to developing modern revenue laws.

The policy document is binding on all key stakeholders and comprises of the following main issues:

- guiding principles on which Lesotho tax laws and their administration are to be based on. These are: horizontal and vertical equity, inclusiveness, symmetry, neutrality and administrative ease principles,
- the roles of the different stakeholders in policy and law formulation and the implementation thereof,
- use of incentives – the policy statement being that tax incentives will only be used to nurture specific sectors and such incentives to be kept to the minimum as increased use of incentives has proved to be in conflict with principles of a good taxation system and complicates the tax system itself, and
- tax treaties and trade agreements – Lesotho is to honour existing treaties and to continue expanding the tax treaty network.

Meanwhile the LRA has finalized its third strategic plan for the period 2009 – 2012 and this coincides with the tenure of its third Commissioner General. Currently Mr Thabo Letjama is the Acting Commissioner. The plan itself sets out the following key objectives to be achieved.

- Revenue collection,
- Voluntary compliance,
- Fair and effective revenue environment,
- Fight corruption and combat tax evasion,
- Competent and productive workforce, and
- Corporate image.

The objectives have been formed taking cognizance of the global economic downturn, attempt to consolidate and build

on the recent organizational restructuring and a concerted effort to strategically invest in integrated information technology and business processes.

Southern Africa Development Community (SADC) Tax Developments

The fifteen member states community comprising of: Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar (currently suspended due to political developments in the country), Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe, is currently working on the following tax and revenue related issues.

- Tax agreements: a SADC DTA Model and Commentary thereto to be used as guidance when negotiating treaties for avoidance of double taxation, SADC Agreement on Assistance in Tax Matters which will become law once ratified by member states. The ultimate aim is to fast track conclusion of tax treaties amongst member states and with the rest of the global community.
- Tax incentives: SADC Guidelines for the positive use of incentives as a tool for attracting foreign direct investment are at an advanced stage of development. The Guidelines also outline the inappropriate and ineffective use of tax incentives and how member states can guard against this.
- Indirect taxes: the work in this area involves working towards harmonization of exemptions and zero rating within the region in preparation for the planned SADC Common Market milestone around 2015/16.
- SADC Tax Database: a website has been developed to provide information on the forgoing issues and is continuing to be populated. This can be accessed at: **www.sadc.int/tifi/tax**

SADC accomplishes these projects and initiatives through the different sub-committees comprising of senior technical officers from member states.

Malaysia

Country Correspondent:
Mdm Ruedah Karim

MALAYSIAN ECONOMIC STIMULUS PACKAGE

Along with the rest of the world, Malaysia is not immune from the adverse effects of the global financial crisis on her economic well-being. To help weather this crisis, the Malaysian government has introduced a comprehensive stimulus package totalling MYR 60 billion aimed at reducing the current impact of worsening economic and stimulating growth by implementing infrastructural development which yields various economic multipliers. The thrusts of the stimulus package are:

- reducing unemployment and increasing employment opportunities;
- easing the burden of the people;
- assisting the private sector in financing the crisis; and
- building capacity for the future.

Included in the stimulus package which is to be implemented over 2009 and 2010, is a MYR 3 billion allocation, in the form of tax incentives, and are translated in the following tax amendments:

Incentives	Present Position	Proposal
Incentive for employing local	Expenses on worker's remuneration are given single	To encourage employers to employ local retrenched

Incentives	Present Position	Proposal
retrenched workers	deduction.	workers, double tax deduction to be given to employers who employ the local retrenched workers. (effective from YA 2009)
Tax exemption on compensation received for loss of employment	Compensation received for loss of employment is tax-exempt up to MYR6,000 for each completed year of service with the same employer or with companies in the same group.	To increase disposable income of the retrenched workers, compensation received for loss of employment is tax-exempt up to MYR10,000 for each completed year of service with the same employer or with companies in the same group. (effective from 1st July 2008)
Incentive for banks to defer the repayment of housing loans.	Interest income from housing loan is taxed on accrual basis.	As an incentive to banking and financial institutions to defer the repayment of housing loans of retrenched individual borrowers, interest income from such loan will be taxed when it is received by the banking and financial institutions . (effective from YA 2009)
Tax deduction on interest paid on housing loan.	Interest on housing loan paid for houses which do not generate any income including owner occupied, is not allowed as a tax deduction.	To stimulate the housing sector and to increase disposable income of individual taxpayer , tax deduction up to MYR 10,000 be given on such interest expense but subject to the following conditions: i) A resident of Malaysia; ii) Limited to one residential house including flat, apartment or condominium; iii) Sale and Purchase Agreement is executed between 10 March 2009 and 31 December

Incentives	Present Position	Proposal
		2010. (Effective from YA 2009)
Carry back on current year losses	No provision to allow current year business losses to be carried back to preceding years to reduce tax liability.	In providing private sectors' additional cash flow, current year losses of up to MYR100,000 be allowed to be carried back to the immediate preceding year and the tax treatment is applicable to all businesses including sole proprietors and partnerships. (Effective from YA 2009 and YA 2010)
Promoting investment on plant and machinery.	Accelerated Capital Allowance (ACA) is only given on: • Expenses on small value assets (of value less thanMYR1, 000 each); • Expenses on plant and machinery incurred by small and medium enterprises in years of assessment 2009 and 2010; • Expenses incurred on the following equipment such as security control, information and communication technology (ICT) and environmental protection.	To stimulate new investment, ACA will be given to all businesses on expenses incurred on all plant and machinery between 10 March 2009 and 31 December 2010. (Effective from the YA 2009)
Incentive for renovation and refurbishment of business premises.	Such expenses are not allowed tax deduction and not eligible to claim capital allowance.	For business competitiveness and cost reduction, expenses incurred on renovation and refurbishment of business premises between 10 March 2009 and 31 December 2010 be given Accelerated Capital Allowance that can be claimed within 2 years. (Effective

Incentives	Present Position	Proposal
		from YA 2009).

The tax incentives of MYR 3 billion play an important role in helping the retrenched local workers as well as encouraging the business activities, in the midst of economic uncertainty. The feasibility of the stimulus package cannot be achieved without the involvement of all Malaysians. Therefore, the nation must stay united to weather the economic storm.

New Zealand

Country Correspondent:
Mr Nigel Shatford

Coordinating Inland Revenue's response to the current economic climate

Businesses in New Zealand and globally are experiencing greater difficulty in obtaining credit under tighter lending conditions and reduced customer spending. These factors combine to create difficulties for businesses managing cash flow, finances and debt. In this economic climate Inland Revenue needs to actively respond in a balanced way to support businesses and individuals experiencing hardship while also maintaining appropriate customer compliance which may decline with a consequent impact on revenue collected.

Consequently our Service Delivery group has established a clearing house group comprising representatives from all key business areas and including our Policy Advice division to ensure Inland Revenue's activities are coordinated in response to the current economic climate and that the organisation is aware of and responsive to trends in revenues and customer behaviour.

Scope of Work

The initial focus of this work is to:

- Report to key stakeholders on current activities to support customers
- Gain agreement to action plans from senior management and business partners when necessary
- Create linkages with other Service Delivery projects and business units
- Monitor and report progress against action plans
- Manage emerging reputational risk at a service level
- Coordinate responses to emerging issues.

As a way of considering Inland Revenue's response to what is anticipated will be an ongoing situation the department's approach is based on emphasising four streams of initiatives within the department that each support tax compliance within the current economic environment:

- Expanding assistance
- Improving communication
- Refocusing enforcement
- Enacting legislative reforms.

Current initiatives

Expanding Assistance:

- Inland Revenue is offering one-to-many seminars advertised on the internet to help our customers in their local areas.
- Inland Revenue has also been working closely with other government departments supporting their initiatives responding to the economic environment. Three examples of this joint work are (i) supporting a free phone help line for struggling business owners to direct them to the assistance they need, (ii) participating in regional economic events to offer assistance and advice to attendees – these events include presentations on good business practices and freeing up cash flow, and (iii) supporting the implementation of a Job Support Scheme (9 day fortnight).

Improving Communication:

- Media interviews and internal communications by the Commissioner are underway
- External communications, news articles, newsletters, a 'How to manage debt' flyer, website information on customers seeking early assistance and debt management
- Relationships with key stakeholders are being actively managed
- Outbound calling to small and medium-sized enterprises (SMEs) as part of the EMS Optimisation Project targeted those businesses that are required to file their PAYE electronically.

Refocusing Enforcement:

- A new Debt Optimisation Programme is reviewing current resourcing and practice throughout IR, shifting our debt management service balance. Work includes outbound calling/campaign management and a change from top end enforcement focus to a more supportive role for Inland Revenue in responding to new debtors.
- Refresher training for staff on Debt & Hardship legislation 2002 – intent and application
- Implementation of PARE model (Prevent, Assist, Recover and Enforce) – works well in particular with SMEs facing difficulties in economic crisis
- Work includes the implementation of:
  - Credit card payments – enabling SMEs to manage their cash flow
  - Instalment Arrangements – via agent community (supporting cash flow)
  - Text messaging – reminders to file return and make payment
  - Outbound calling - to SMEs who default on previously arranged instalment arrangements.
  - Risk scorer – to identify potential SMEs who could be at risk of becoming non compliant
  - Online repayment calculator – a tool to calculate instalment options and the impact of penalties/interest

Enacting Legislative Reforms:

- Business Tax Measures Act – this introduced eleven legislative measures to help the small and medium-sized businesses that make up 96 percent of New Zealand's economy to weather the current downturn, by making it easier for them to manage their cash flows and meet their tax obligations.
- Changes include threshold changes such as:
  - GST registration threshold - from $40,000 to $60,000,
  - Raising the GST payments basis threshold from $1.3million to $2 million so that GST is accounted for when payment is received instead of the period an invoice is issued
  - PAYE once a month filing and payment threshold - increase from $100,000 to $500,000
  - FBT annual return filing threshold - increase from $100,000 to $500,000
  - Provisional tax use of money interest (UOMI) safe harbour threshold - increase from $35,000 to $50,000
- Provisional Tax Uplift Provisional tax uplift rate - reduce the current standard method provisional tax uplift baselines from 105% or 110%, to 100% or 105%,
- Monitoring Use of Money Interest (UOMI) rates and Provisional Tax.

Pakistan

Country Correspondent:
Mr Muhammad Ashfaq Ahmed

(i) Pakistan – Croatia Tax Treaty Negotiations

Two-member Pakistan tax delegation comprising of Mrs. Farida Amjad, Chief (International Taxes) and Mr. Abdul Rashid, Secretary (International Taxes Operations), Federal Board of Revenue, visited Croatia from 23rd to 27th February, 2009 to negotiate the Convention for the Avoidance of Double Taxation between Pakistan and Republic of Croatia. The convention is expected to be initialled during the second round scheduled to be held in Islamabad in the near future.

(ii) Change in the Country Correspondent

Mr. Muhammad Ashfaq Ahmed, Secretary (International Taxes Policy) has been appointed new Pakistan's Country Correspondent for CATA. Photograph is attached.

(iii) CATA Management Committee Meeting
Mr. Irfan Nadeed Sayeed, Member (Inland Revenue) represented Pakistan in the CATA Management Committee Meeting held on 7-8 May, 2009 at London.

Singapore

Country Correspondent:
Ms Angeline Chan

Tax Filing a Non-Event for 344,120 Taxpayers

IRAS' No-Filing Service (NFS) has made tax filing a non-event for 344,120 individual taxpayers this year. For this group of taxpayers, they would receive their Notices of Assessment directly from IRAS without the need to file any tax returns. This is possible as their tax returns have been pre-filled with salary information transmitted by their employers to IRAS under the auto-inclusion scheme for employment income and deductions sourced from third parties and their previous filing records.

For the over 1 million of taxpayers who needed to file a tax return, they have found our individual e-filing system so easy and convenient that we achieved a record 91% e-filing rate at the close of the filing deadline of 18 April 2009. This was a 4% increase from last year's rate of 87%.

E-Tax guide on the IRAS Voluntary Disclosure Program (VDP)

IRAS has issued a new e-Tax guide on the IRAS Voluntary Disclosure Program (VDP). The VDP is applicable to Income Tax (including withholding tax) and Goods & Services Tax (GST) and is aimed at encouraging taxpayers to come forward voluntarily and in a timely manner to disclose errors/omissions made in their past returns. The e-Tax guide on the IRAS VDP provides taxpayers with greater clarity on the qualifying conditions for disclosures to be considered voluntary and the reduced penalty treatment vis-à-vis all other disclosures. The e-Tax guide can be accessed via **http://www.iras.gov.sg/irasHome/uploaddFiles/Quick_Links/e-Tax_Guides/Compliance/2009_COMP_1.pdf.**

e-Tax Guide on GST Guide for the Aerospace Industry

IRAS has issued an e-Tax guide on GST Guide for the Aerospace Industry. The guide sets out the changes to the GST treatment for aircraft and aircraft-related supplies. These changes aim to make it easy for the aerospace industry to comply with GST. The e-Tax guide can be accessed via **http://www.iras.gov.sg/irasHome/uploaddFiles/Quick_Links/e-Tax_Guides/GST/GST%20Guide%20for%20the%20Aerospace%20Industry.pdf.**

New Mobile Service to check whether a business is GST-registered

IRAS has launched a new mobile service for businesses to check the status of their GST

registration. The service is free and does not require pre-registration. It is part of our efforts to enhance service delivery by making our services more accessible to customers who need to transact on the move or who may not have Internet access. The public can also use the service to check whether a business is GST-registered. Information on how to use the service is available at http://www.iras.gov.sg/irasHome/page.aspx?id=2152.

Budget Seminar 2009

The Tax Academy of Singapore, a non-profit institution set up by IRAS in collaboration with international accounting firms Deloitte & Touche, Ernst & Young, KPMG and PricewaterhouseCoopers, the Institute of Certified Public Accountants of Singapore and the Law Society of Singapore, hosted the annual Budget Seminar in February 2009. The seminar provided a platform for senior tax officials and policy makers from the government and private sector to exchange views and seek clarifications on the tax changes in the Singapore Budget 2009. This year's seminar also included a roundtable discussion with senior representatives from tax consultancy, industry and IRAS on managing tax risks and transfer pricing implications.

Singapore's Network of Tax Treaties

Singapore signed a Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income with Libya in April 2009. The Convention facilitates the cross-flow of trade, investment, financial activities and technical know-how between Singapore and Libya. With this Convention, Singapore now has in place comprehensive treaties with 63 countries. The full text of the Convention can be found at **http://www.iras.gov.sg/irasHome/uploadedFiles/Quick_Links/Singapore-Libya%20DTA%20(not%20in%20force)%20(2009-04-09).pdf**.