

The Commonwealth Association of Tax Administrators



cata
Newsletter

CATA Conference 2009 venue shifted to Lilongwe

Training Programmes

New appointments

No. 1 of 2009

March 2009

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Editorial

Outsourcing in tax administrations

One of the features of modern administrative set ups is the growing complexity and wide range of operations that are required to be undertaken compared to the state of affairs a couple of decades ago. Automation and its associated activities such as customer services, tax education, e-commerce issues, etc. are examples of extended operations

over a period of time. There are also more specialised approaches to human resource management, career development, capacity building and so on. Naturally some of the skills and professional expertise required for these functions are sometimes not readily available amongst the traditionally recruited civil servants from years gone by. That gives rise to calls for outsourcing or at least market recruitment for the execution of such functions and in some cases more traditional functions too. So how strong or weak is the case for outsourcing?

Outsourcing can be outright or as a stepping stone towards development of skills internally. In most existing organisations, there are some very secondary functions that have historically been outsourced such as cleaning of premises and equipment, the supply of stationery and consumables or the running of staff canteens. These functions usually do not have a direct bearing on output or end product but could impact in varying degrees on working conditions within an organisation and in particular, staff satisfaction and morale in some cases, especially in relation to staff canteens that play a bonding role amongst staff members who do not otherwise interact directly in routine operations.

The single biggest factor that has influenced thinking in this regard is the emergence of modern technology and communication opportunities and challenges. This is closely followed by the incremental increase in adoption of business culture and practices in public sector organisations. Tax administrations have had a lead role in public service transformation. It has usually been the first state body that has moved towards financial and administrative autonomy while remaining an integral part of national civil service structures. Calls for outsourcing several functions are triggered by a variety of motives, ranging from the pure and noble ambition of achieving excellence in all aspects of tax policy and administration to glory hunting elements in the private sector looking at opportunities

for either career building or development of long term influential contacts through short term postings in important public office positions. On the scope of activities suggested for outsourcing, arguments range from the relatively more recent activities of customer services to the core activity of having tax audits done by private sector accounting and auditing firms. Scandals that have emerged in recent years in relation to some internationally renowned accounting firms strongly undermine the myth that morals in private sector are superior to those in the public sector.

While systems of checks and balances in developed countries are relatively more advanced and effective in preventing misuse of reform initiatives, the controlling mechanisms in developing countries are more easily abused by those who exercise social and political influence in their respective countries. By hijacking seriously thought out and constructive initiatives for tax reforms for implementation of personal agendas, not only is the process derailed but at times organisations can be left worse off by time and resources wasted. If a tax organisation is guilty of lack of control over corrupt practices, the situation will not change in the slightest by recruitment of outside personnel. They will become part of the corrupt system and may in fact bring in some additional innovative corrupt practices.

There is a middle ground between outright outsourcing and recruiting experts from the market in tax organisations to fill in specialist positions requiring knowledge and skills not available in-house. That approach too has serious questions and concerns that need to be addressed. The first and foremost of these is the question of getting genuine competencies in the required fields. It is hardly disputable that there is a big gulf in the salaries and emoluments offered in public service compared to earnings potential in the private sector. The higher the competence level of an individual, the higher his earning potential will be in the free market environment compared to the

fixed income pay scales in public sector employment. Why would an expert with huge earnings potential in the private sector opt for a far lesser earnings opportunity in public service? The answer invariably is that motives other than purely career progression are at work if the person involved is really one who commands respect and recognition in the market. Alternately, the person involved is not doing too well in open competition and considers a short ride in the public sector as a good launching pad for further progression on return to the private sector. Key public sector jobs have their own attraction and addictiveness and people who usually join such positions with short term intentions often eventually endeavour to hang on for as long as possible. Does it make any sense then to pick up mediocrity from the private sector on affordable salary packages rather than develop in-house expertise over a longer period of time? Even when someone is recruited from outside, he is expected to consume a certain amount of minimum time in understand internal procedures and work practices, so why be impatient with development of internal expertise?

Unfortunately, patience is a commodity that is scarcely affordable now in politics, economic management, administrative matters or even success in sports for that matter. Impatience or indecent haste in achieving ambitious or even over-ambitious objectives has indeed now become a major self destruct driver. The currently prevalent global economic crisis is allegedly triggered by pursuit of unrealistic targets by the top management in banks and financial institutions. Unrealistic targets can only be implemented through unfair means and the fruits of such endeavours are always short lived but the damage inflicted is invariably long term. The amount of time, effort and unprecedented resource now being invested by governments all over the world to overcome the economic crises may not have been required if organisations and individuals had not been put under immense pressure in pursuit of crazy targets. There is

ample evidence of external recruitments desperate to make an “immediate personal impact” unsettling existing systems without having carefully considered alternative arrangements in place. In some cases, organisations have been pushed backwards or left in disarray as a result of hasty reforms and change for the sake of change obsession. Staff morale takes the first hit in these situations and without taking away any merit from the massive role that modern technology and automation plays in today’s life, there is no substitute for the

effectiveness and contribution of the human being working behind machines.

As is the case with most things goods and sustainable in life, finding the right balance between realism and ambition is the key to success. The evidence on the ground is that this essential ingredient is in very short supply at the moment and unless there is a quantum change in current attitudes, the current global economic depression may not be the last crises the present generation may have to deal with.

CATA News

Important Breaking News!!!

THIRTIETH CATA ANNUAL TECHNICAL CONFERENCE 2009

CATA's Thirtieth Annual Technical Conference will now be held in Lilongwe, Malawi from 27th September to 2nd October 2009 instead of Mangochi as notified earlier through CATA's Circular No 2 of 2009 dated 23rd January 2009. THERE IS NO CHANGE IN THE CONFERENCE DATES.

A revised conference circular will be sent out to all members very soon.

Venue:



The Conference will be held at **Crossroads Hotel in Lilongwe.**

Hotel Accommodation:

Delegates will be accommodated in **three (3)** hotels, all situated in close proximity of the conference venue. **Delegates are advised to book arrival flights directly to Lilongwe.** On arrival they will be met by representatives of the Malawi Revenue Authority and transferred to their respective hotels. Special room rates for bed & breakfast have been negotiated with these hotels (inclusive of all taxes). These rates are quoted in US Dollars. Delegates are requested to book their hotel accommodation early, latest by **31st May** to qualify for these

negotiated rates and to ensure availability of desired rooms. **Hotel reservations should be made through the Organizing Committee only.** Hotel rates are as follows:

1. Crossroads Hotel			
	Rates per night on bed & breakfast		
Room Category	Single	Double	No. of rooms
Superior	\$100	\$160 sharing	48
Superior Suite	\$140	\$190 Sharing with spouse	4
Deluxe	\$150	\$200 sharing	40
Deluxe Queen	\$180	\$220 Sharing with spouse	10
Contact Person	Bridget		
Tel.	(265) 01 750333; 01 750444; cell 09513100		
Email	bridget@crossroadshotel.net ; crossroadshotel@malawi.net		
Web Site	www.crossroadshotel.net		
Fax	(265) 01 750336		
Address	P.O. Box X1, Post Dot Net, Lilongwe		
2. Sunbird Capital Hotel			
	Rates per night on bed & breakfast		
Room Category	Single	Double	No. of rooms
Standard	\$127	\$153 sharing	93
Superior	\$153	\$180 with spouse only	73
Deluxe	\$180	\$206 with spouse only	8
Executive Suites	\$257	\$283 with spouse only	8
Contact Person	Monalisa/Chisangalatso/Willy		
Tel.	(265) 01 773388		
Email	capitalres@sunbirdmalawi.com		
Web Site	www.sunbirdmalawi.com		
Fax	01 771 273		

Address	P.O. Box 30018, Capital City Lilongwe 3		
3. Pacific Hotel			
	Rates per night on bed & breakfast		
Room Category	Single	Double	No. of rooms
Standard	\$80	\$100 with spouse only	24
Deluxe	\$95	\$117 with spouse only	24
The hotel does not have facilities for sharing of participants but spouses only			
Contact Person	Treza		
Tel.	(265) 01 776133; 01 770444		
Email	farooq@pacifichotelsmw.com ; farook_amd2002@yahoo.com		
Web Site	www.pacifichotelsmw.com		
Fax	(265) 01 776222		
Address	P.O Box 2296, Capital City, Lilongwe		

Topics:

The following two topics will be discussed at the conference/workshop:

1. "Strategies for taxation of cash based transactions"
2. "Current developments in organizing for effective tax administration".

Additional Information:

Additional information about Malawi and conference related matters is available on CATA's web site.

Background Papers:

Each member country is required to furnish background papers (not more than four pages each) on the conference topics. The manner in which these background papers should be structured was set out in (Annex-II) to the original conference Circular. **Due date for submission of background papers REMAINS 30 April 2009 despite other logistical changes.** Special guests do not have to furnish background papers.

Registration:

Delegates nominated to attend the conference and special guests are required to forward the conference Registration Form (available on CATA's web site) duly completed to reach the **Conference Coordinator** (with a copy to the CATA Office) no later than **30 April 2009**.

All registration forms **MUST** be either sent through the designated Country Representative for CATA of the nominating country or clearly endorsed by such authority. **No registration form will be entertained unless it meets this requirement.**

Conference Coordinator:

Mrs Roza Mbilizi will be the **Conference Coordinator**. She can be contacted as follows:

Mail: Malawi Revenue Authority

P/Bag 247

Blantyre

Malawi

Tel.: (265) 01821241 (direct); 01 822588

(switchboard)

Fax: (265) 01 820302/01822302

Email: rmbilizi@mra.mw

Conference programme will be circulated in due course. CATA's web site will also be updated regularly on conference related matters.

ACHIEVING MANAGEMENT POTENTIAL (AMP) 2009

CATA is pleased to announce that Her Majesty's Revenue & Customs (HMRC) of the United Kingdom have completed all arrangements to run the Achieving Management Potential (AMP) training programme for 2009. It is intended for a maximum of fifteen participants.

Dates:

Internet: **Early June to Mid July 2009**

Residential: **3 August to 11 September 2009**

Internet: To **end December 2009**

Venue:

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

HMRC Offices, London. Participants will be located in a nearby hotel where accommodation and meals will be provided.

Course Director: John Hudson is a former senior member of HMRC with wide experience of high level strategic and operational leadership and of personal development. Since his retirement from HMRC, he has pursued his keen interest in the development of overseas tax administrators, through the AMP programme and through work with other agencies.

Delivery Methodology and Environment:

Each participant completes all three phases of the course, Phases I and III from within their home country. Email access is preferable for Phases I and III, but alternative arrangements can be made for those who do not have it. Details are available on CATA's web site.

Course Content:

The Achieving Management Potential programme is an intensive and demanding course organized and run by United Kingdom HMRC. It is designed to develop those with the potential to reach the most senior levels in their administrations, and it therefore addresses the challenges of managing performance whilst initiating and leading change. Past participants have consistently awarded the programme top approval ratings, not least in terms of its success in delivering first class development opportunities of direct relevance to their work and their organisations. It therefore comes highly recommended by those who have experienced its benefits.

Eligibility:

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

Applications:

Applications should be forwarded to the Course Administrator:

Mr Sean Rabbett
HM Revenue and Customs
International Relations and Capacity Building
3rd Floor
Dorset House
Stamford Street
LONDON SE1 9PY
Tel No: 0044 20 8929 2677
Fax No: 0044 20 8929 6757
E-mail: sean.rabbett1@hmrc.gsi.gov.uk

Additional information and on-line application forms can be obtained through HM Revenue and Customs web site at:

http://www.hmrc.gov.uk/intassist/cata_course.htm or from the CATA web site.

Funding:

Nominees are strongly advised to start seeking their funding as soon as possible. **Confirmation of funding must be received by 15 May 2009.**

Cut Off:

The **closing date** for all applications is **17 April 2009**, one month earlier than usual. Soon after this date candidates will be contacted by the Course Administrator. The online course will commence in **early June 2009**.

Late Application:

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

COMMONWEALTH TAX INSPECTORS COURSE (CTIC) 2009

CATA is pleased to announce that Her Majesty's Revenue & Customs (HMRC) of the United Kingdom have also completed all arrangements to run the Commonwealth Tax Inspectors Course (CTIC) 2009 for compliance/audit officials. It is intended for a maximum of fifteen (15) participants.

Dates:

Internet: **Early June to Mid July 2009**
Residential: **3 August to 11 September 2009**
Internet: To **end of December 2009** to support delegate action plans as required.

Venue:

HMRC Staff College, Lawress Hall, Lincoln, where accommodation and meals will be provided.
HMRC Offices, Castle Meadow, Nottingham. Participants will be located in a nearby hotel where accommodation and meals will be provided.
HMRC Offices, London. Participants will be located in a nearby hotel where accommodation and meals will be provided

Course Director: Adrian Turner

He was responsible for Compliance Learning strategy in HMRC's HR & Learning until his retirement, and also has wide experience of operational compliance work as a specialist investigator and team leader, and of compliance management as an Area Director. He maintains an active professional interest in operational training, within the CTIC programme and externally.

Delivery Methodology and Environment:

The course will be run in three phases that every participant completes:
(Participants should preferably have access to the Internet in their home country, especially for Phase I and III of the course although alternative arrangements can be made for those without Internet access.)

Course Content:

The course is intensive and demanding. It is designed for officials who are involved in:

- Examination of business accounts and/or
- Dealing with the training and management of compliance and enquiry staff.

The course runs in parallel with the Achieving Management Potential programme (AMP). AMP is designed for those with the potential to reach the most senior levels in their organisations, and emphasises leadership, management and strategy

in the taxes context. Intending applicants or managers who are unsure whether the CTIC or the AMP programme is most appropriate for a particular individual may contact Sean Rabbett for advice and assistance. His contact details are given below.

Eligibility:

The Course is open to officers involved in audit/compliance work or their trainers and will be of most benefit to those who are comparatively new to business accounts investigation work or who are involved in the training or management of new appointees in this field. **A good working knowledge of English is essential.**

Applications:

Applications should be forwarded to the Course Administrator:

Mr Sean Rabbett
HM Revenue and Customs
International Relations and Capacity Building
1st Floor
Dorset House
Stamford Street
LONDON SE1 9PY
Tel No: 0044 20 8929 2677
Fax No: 0044 20 8929 6757
E-mail: sean.rabbett1@hmrc.gsi.gov.uk

Additional information and on-line application forms can be obtained through HM Revenue and Customs web site at:
www.hmrc.gov.uk/intassist/cata_course or the CATA web site, **www.cata-tax.org**.

Funding:

Nominees are strongly advised to start seeking their funding as soon as possible. **Confirmation of funding must be received by 15 May 2009.**

Cut Off:

The **closing date** for all applications is **17 April 2009**, one month earlier than usual. Soon after this date candidates will be contacted by the Course Administrator. The online course will commence in **early June 2009**.

Late Application:

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

WORKSHOP ON TAXATION OF INTERNATIONAL TRANSACTIONS – (TOIT 2009)

CATA is pleased to announce that arrangements have been finalised to hold the Workshop on Taxation of International Transactions for senior and middle level tax officials for 2009. The Workshop will again be hosted by the Inland Revenue Board of Malaysia.

Duration

It will be a three-week workshop from **8 - 26 June 2009**.

Venue & Accommodation

The Workshop will be held at:
The Malaysian Tax Academy
Inland Revenue Board of Malaysia
Persiaran Wawasan
43650 Bandar Baru Bangi
Selangor
MALAYSIA

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

Course Objectives

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

Workshop Contents

- (a) Review basic concepts such as source of income and residence status of individuals and enterprises
- (b) Focus on the provisions of the United Nations Model Avoidance of Double Taxation Convention between developed and developing

countries and the OECD Model Tax Convention on income and on capital

- (c) Highlight practical case studies
- (d) International tax audits aimed at countering tax avoidance schemes and mechanisms, the abuse of tax treaties and the misuse of transfer pricing as a tool for tax evasion and avoidance by multinationals corporations.

Eligibility

Participants should be:

- (a) Senior and middle level tax officials of member countries involved in the negotiation of tax treaties, application of tax treaties, or in development of policy or administration in relation to international taxation; or
- (b) Tax Inspectors responsible for, or engaged in, the audit of multinational enterprises and of other taxpayers involved in international transactions.

All applicants must have a good command of spoken and written English.

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

Financial Assistance

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

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

Application Procedure

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

The closing date for the applications is **31 March 2009**. Successful candidates will be informed by **15 April 2009** by the Malaysian Tax Academy.

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

Course Director: Mr. Mansor Hassan
(mansor@hasil.gov.my), Director, Department of International Tax will be the Course Director for TOIT 2009.

Further information may be obtained from:

Mdm. Esther Koisin
Course Coordinator
International Training & Tax Education Centre
Malaysian Tax Academy
Inland Revenue Board of Malaysia
Persiaran Wawasan
43650 Bandar Baru Bangi
Selangor, MALAYSIA
Tel No: 603-89262082
Fax No: 603-89257005
E-mail: esther@hasil.gov.my

**MANAGEMENT COMMITTEE MEETING
2009**

The annual meeting of the Management Committee of CATA will be held at Marlborough House, London on **7 and 8 May 2009**.

Prof. John Mills Elected President of Ghana



Prof. John Atta Mills was sworn in as Ghana's new president on 7 January 2009. The entire CATA fraternity takes great pride and pleasure in celebrating the ultimate national honour achieved by a former colleague, greatly admired for his role and contribution to CATA. He was actively involved with the activities of CATA during his term of office as Commissioner, Internal Revenue Service and served on CATA's Management Committee from 1991 to 1994. CATA hopes that under his leadership, Ghana will undergo a long period of development, peace and prosperity.



**Former Chairman of CATA
honoured**

Former chairman and one of the founding members of CATA, Mr S. Sivalingam was recently awarded the title of Dato by the Malaysian Government for his outstanding contribution in the field of international taxation and fiscal policy. Mr Sivalingam held the post of Deputy Director-General and is at present a member of the Board of Inland Revenue.

Mr Sivalingam assisted in the drafting and adoption of CATA's Constitution. He was Chairman of CATA's Management Committee from 1985 to 1991 and played a very important early role in converting CATA into a vibrant inter-governmental tax organisation.

APPOINTMENTS

New Country Representatives

Malta



Mr Carmel Conti was appointed as the new Country Representative for Malta towards the end of last year and replaces Mr Adrian Chetcuti as Commissioner of Inland Revenue.

South Africa

Mrs Varsha Singh was appointed last month and replaces Mr Lincoln Marais as Senior Manager of International Relations, South African Revenue Service (SARS).

New Country Correspondents

South Africa

Mrs Varsha Singh was also appointed the position of Country Correspondent in place of Mr Lincoln Marais (SARS).

COMSEC NEWS

Commonwealth engaged in Fiji Islands for the restoration of democracy



Commonwealth Secretary-General Kamalesh Sharma has reaffirmed the Commonwealth's commitment to assist Fiji Islands in the restoration of constitutional

civilian democracy.

The Secretary-General recalled that Fiji has been under consideration by the Commonwealth Ministerial Action Group (CMAG) since the military overthrow of the democratically elected government in December 2006. At its last meeting in September 2008, CMAG reiterated the need for elections to be held in Fiji by March 2009.

"I remain in contact with the Chair of CMAG as our efforts continue to support the restoration of civilian constitutional rule in Fiji. CMAG indicated in September that it would need to meet in the new year to consider further measures, in line with Commonwealth procedures, if the situation remained unchanged. A meeting of CMAG is expected to be held early in 2009."

Mr Sharma confirmed that the Commonwealth Secretariat has remained active in working towards a political dialogue between the key stakeholders in Fiji, as requested by the President of Fiji, Ratu Josefa Iloilo.

The Commonwealth is engaged with the Interim Government and other stakeholders, building on the active role played by the Commonwealth Secretary-General's Special Representative to Fiji Islands, Sir Paul Reeves. The recent visit by a Commonwealth Secretariat official to Fiji, working together with the United Nations,

was aimed at establishing the proposed President's Dialogue Forum as soon as possible and this continues to be pursued.

The Secretary-General also welcomed the visit to Fiji this week by the Pacific Islands Forum Ministerial Contact Group.

"The Commonwealth is committed to working with the Pacific Islands Forum, the United Nations and other partners in assisting Fiji to find a political way forward."

The Commonwealth - a catalyst for globalising knowledge, wisdom and skills

Secretary-General says the Commonwealth adds value to initiatives for sustainable growth.

The Commonwealth can be a catalyst in strategic partnerships for sustainable development by helping to pool together ideas, initiatives and innovations in the interest of member states and the global community, Commonwealth Secretary-General Kamalesh Sharma told the Federation of Indian Chambers of Commerce and Industry (FICCI) in New Delhi, India, on 5 February 2009. In a talk to the 100-strong ICICI, Mr Sharma said the Commonwealth could facilitate progress in socio-economic and political development through a proposed Partnership Platform Portal (P3) to bring interested parties together via an information and communication technology (ICT) network to share knowledge, experience and expertise. He said this initiative that used ICT as a tool for development would be developed this year with the aim of globalising knowledge, wisdom and skills for the common good.

He the P3 initiative would complement the existing "Commonwealth Connects" programme which aims to develop ICT policies at the governmental level and using ICTs in practical projects to bridge the

divide between developed and developing states. The P3 is also intended to facilitate interactive consultation and collaboration in areas of shared interests by member countries and development partners. Mr. Sharma pointed out that many solutions to the world's problems today are high-tech based, and as such, the power of ICT should be harnessed and their full potential realised.

Mr. Sharma, who was on a week-long visit to India, said the Commonwealth could assist in finding solutions to issues of concern impacting on communities, both local and international, by capitalising on know-how and building synergies for progress.

The value of the Commonwealth's contribution is in the quality of its ideas and initiatives, said Mr. Sharma. This includes first proposing the Highly Indebted Poor Countries Initiative that was adopted by the International Monetary Fund to help poor countries in their debt relief. The reform of international financial institutions was another area of global concern where the Commonwealth had taken an initiative last year to promote principles-based and inclusive processes.

CHOGM 2009



The Commonwealth Heads of Government Meeting (CHOGM) is to be hosted in the city of Port of Spain in the Republic of Trinidad and Tobago on November 27-29, 2009. At their 2007 summit in Kampala, Uganda, Commonwealth Heads of Government reaffirmed their decision to meet in Trinidad and Tobago in 2009.

The CHOGM is the supreme body of the Commonwealth. It is convened every two years to review global, political and

economic developments and to conduct a strategic overview of the Commonwealth's work in support of the interests of member countries. The objective of this Summit is to engage leaders of the Commonwealth in discussing global and Commonwealth issues and to agree upon collective policies and initiatives.

All nations, regardless of size, have an equal say at this meeting. All CHOGM decisions and initiatives are reached only by consensus. CHOGMs are distinct from other international meetings in that heads of government meet in an informal retreat setting.

Commonwealth congratulates Ghana for holding successful and orderly elections

Secretary-General has lauded Electoral Commission of Ghana for ensuring efficient electoral process.

The Commonwealth Secretary-General, Kamalesh Sharma, on 5 January 2009 warmly congratulated the people of Ghana for the successful and orderly conduct of the recently concluded presidential and parliamentary elections in that country. He recalled the close association Ghana has had with the Commonwealth since its independence.

He commended the Ghana Electoral Commission for its important role in ensuring an efficient electoral process and a credible outcome. The Secretary-General said this underscored the increased focus that the strengthening of national election commissions is receiving in the Commonwealth.

Mr Sharma stressed the significance of the elections in the consolidation of democracy in Ghana and the goals the African Union has set for itself.

In a message of congratulations to the President-Elect, Professor John Atta Mills, Mr. Sharma said the Commonwealth looked

forward to working with him and his government to further consolidate Ghana's democratic gains and tackling the development challenges confronting the country. Mr. Sharma also paid tribute to outgoing President John Kufuor for his valued support to the Commonwealth and upholding its principles.

A Commonwealth Observer Group was present in Ghana for the elections.

Governments should plan steps to transform global institutions

Multilateral institutions are needed to promote more effective co-operation and global action to ensure inclusive globalisation, says Dr Ngaire Woods. Commonwealth countries as well as the wider global community need multilateral institutions that are effective in promoting co-operation and global action to ensure a more inclusive globalisation, according to Dr Ngaire Woods, Director of the Global Economic Governance Programme.

Dr Woods, who is also Professor of International Political Economy at University College, Oxford, has written that there is a need to reform the International Monetary Fund (IMF) and World Bank.

She is one of the contributors to a new Commonwealth book – 'Reform of International Institutions' - which will be officially launched on 21 January 2009.

The publication came about after a meeting of Commonwealth leaders in June last year held in Marlborough House, London. This meeting was a follow-up from the biennial

Commonwealth Heads of Government Meeting last held in Kampala, Uganda, in November 2007 where leaders collectively expressed the concern of member states that the current architecture of international institutions no longer responds adequately to the challenges of the twenty-first century.

The book examines how three sets of major international institutions – the United Nations, the World Bank and the IMF, and institutions concerned with international environmental governance – can be reformed to be more effective.

Other authors who contributed were Simon Maxwell, the Director of the London-based Overseas Development Institute, and Dr W Bradnee Chambers, Visiting Senior Research Fellow at the United Nations University Institute of Advanced Studies. Mr Maxwell argued for a review of the UN while Dr Chambers suggested a need for greater coherence for international environmental governance.

This year, to mark the modern Commonwealth's 60th anniversary, University College London and the Commonwealth Secretariat will be collaborating on a series of three lectures, jointly hosted by UCL's President and Provost and the Secretary-General of the Commonwealth, and themed around key issues relating to the concept of global citizenship. On 21 January 2009, Professor Richard Bellamy, UCL, Dr David Hudson, UCL, and Professor Ngaire Woods will explore issues around international governance and the reform of international institutions to meet the needs of twenty-first century nations.

Members News

Australia

Country Correspondent:
Ms Usha Narain

Australian Taxation Office content for the March 2009 CATA newsletter

Deterring offshore tax avoidance and evasion

The recent signing of a Tax Information Exchange Agreement (TIEA) between Australia and the Isle of Man, further strengthens Australia's TIEA negotiation program with jurisdictions globally.

This latest agreement, which was signed on 29 January by Australia's High Commissioner to the UK and the Minister of the Isle of Man Treasury, is the fifth such arrangement entered into by Australia with offshore financial centres.

Other agreements have been signed with Bermuda in November 2005, Antigua and Barbuda and the Netherlands Antilles in January 2007 and the British Virgin Islands in October 2008.

The Isle of Man, is a significant offshore financial centre that specialises in banking, investment fund and captive insurance sectors, with a well-developed advisory and financial infrastructure.

Effective exchange of information is a very useful strategy to address tax avoidance and evasion. It provides a deterrent to those taxpayers who may seek to conceal income or assets in one of these jurisdictions. It also provides the Tax Office with an important compliance tool. We are able to request tax information from these jurisdictions when non-compliance with Australia's tax laws is detected.

The Australia- Isle of Man agreement provides for full exchange of information on request in both criminal and civil income tax matters, and builds on legislation in both

jurisdictions which already provides for mutual legal assistance in criminal matters.

Once the agreement comes into force information requests will be available from this date in relation to income tax matters.

Engaging with the big end of town

Commissioner Michael D'Ascenzo opened the Large Business Advisory Group's first meeting in Canberra in late November, which brought together Tax Office executives and senior representatives from some of Australia's top companies and peak representative bodies. The meeting followed a workshop-style format which gave tax officers valuable insight into the thinking of large business on current issues.

In a wide-ranging discussion, issues such as the ongoing impact of the global financial crisis on large business were covered, as well as new Tax Office products including annual compliance arrangements and advance pricing arrangements.

The meeting showed that there was a desire from the corporates to engage with us and work together on addressing administrative practice or procedural issues, as well as technical issues. The group also put forward several suggestions for improvements in Tax Office processes.

Corporate Australia embraces income tax and GST compliance

A state-owned energy corporation Integral Energy recently moved their Tax Office compliance relationship to a new level by signing a GST Annual Compliance Arrangement (ACA) with us.

We also recently signed our first Annual Compliance Arrangement with the ANZ Bank in relation to income tax. Income tax and GST compliance arrangements are similar in that they both provide an open and transparent approach to managing tax risks, offering greater real-time certainty and improvements to the Tax Office's relationship with corporate entities.

The Integral Energy arrangement reflects what has been learnt from the three Forward Compliance Arrangements (FCAs) GST currently has in place with the ANZ Bank, energy company BP and a large government entity.

Annual Compliance Arrangements offer an innovative way forward for business to work with the Tax Office with an open and transparent approach to manage tax risk more effectively. These arrangements provide tangible benefits and methods to achieve real-time compliance and greater certainty for taxpayers about their GST obligations.

The GST ACA between Integral Energy and the Tax Office, which took effect on 1 November, will run for an initial period of three years with an option to renew.

Global Financial Crisis

The global financial crisis has been a recurring theme both within our administration and at international meetings the Tax Office has attended in recent months.

In December we hosted a high level visit from the UK and US tax administrations to explore shared concerns about the implications for tax administrations that flow from the global financial crisis.

A Permanent Secretary of Her Majesty's Revenue and Customs of the United Kingdom and a Commissioner of the United States' Internal Revenue Service led the respective delegations. Our Second Commissioner in charge of compliance led the Australian delegation and conducted meetings with senior tax officers, private sector executives and global partners from international accounting firms in Sydney and Canberra.

Discussions with our neighbours

The challenges of globalisation, improving tax compliance and the selection of cases for audit were the top-three issues for discussion at the latest Study Group on Asian Tax Administration and Research (SGATAR)

meeting held in China's third largest city, Guangzhou.

In November our Commissioner of Taxation and other senior Tax Office officials returned from travelling to Guangzhou, China, to attend the 38th SGATAR conference. SGATAR provides us with an opportunity to discuss matters of mutual interest with our Asian counterparts.

All jurisdictions said there were features of globalisation that posed concerns or tax risks. These concerns included tax avoidance, treaty shopping and illegal activities such as money-laundering. Many countries saw the best way for revenue authorities to address some of these concerns collaboratively was by developing our multilateral networks in the region and building on the quality and frequency of our exchange of information avenues.

On improving tax compliance, members discussed their recent and future initiatives of improving service to taxpayers to promote compliance in their respective countries.

Regarding the session on case selection for tax audits, some members saw audit as the answer to maximising tax compliance in their jurisdictions. This is quite different to the Australian approach of encouraging voluntary compliance through a range of different strategies. A challenge for everyone going forward is to seek more leveraged approaches to maximise the impact of our strategies with limited resources.

Sharing experiences with our trans-Tasman colleagues

An annual short visit across the Tasman at the executive level complements the good levels of cooperation we enjoy with our counterparts in the New Zealand Inland Revenue Department (NZIRD). NZIRD benchmarks many of their activities with our own. Their smaller size can make them more agile in implementing new initiatives. For example, they are about to venture into their own IT Change Program and will be

learning from our experiences. We share similar issues with NZIRD, and we can both gain from sharing with and learning from each other.

Getting a different perspective

2009 started by senior ATO officers getting a fresh perspective and hearing a range of interesting views and ideas while attending the Leeds Castle and JITSIC (Joint International Tax Shelter Information Centre) meetings in Kyoto, Japan.

Not surprisingly a very important theme of both meetings was the global financial crisis and the challenges tax administrations are facing both supporting taxpayers in financial distress while also taking firm action against those who are not doing the right thing.

At the Leeds Castle meeting we discussed a range of the latest issues affecting our organisation and taxation in Australia such as administrative impacts from the first 12 months of the new federal government and funding difficulties generally (funding constraints being a common issue with other Commissioners); tax issues relating to Australia's climate change agenda; the review underway looking at reform of tax and transfer system (Henry Review); and global financial crisis impacts.

We had some fruitful discussions with our overseas counterparts and we were interested to hear their insights and experiences such as the extra third party reporting requirements in the US; more extensive use of voluntary disclosure provisions by Canada; organisational change in the UK; improvements in debt management by Japan; and, the impact of stimulus packages by number of countries in their tax administrations.

Cameroon

**Country Correspondent:
Mr Joseph Awunti Tanyi-Mbianyor**



I - APPOINTMENT OF A NEW DIRECTOR GENERAL OF TAXATION

By a Presidential Decree published on 19 February 2009, **Mr Alfred BAGUEKA ASSOBO**, Senior Inspector of Taxes, was appointed Director General of Taxation of Cameroon. He replaces **Mr NKODO Laurent** who occupied this position since 2005.

Prior to his appointment, Mr BAGUEKA was President of the Technical Committee in charge of the rehabilitation and liquidation of public enterprises and Head of the EITI Technical Secretariat. He had also occupied several positions of responsibility within the Directorate General of Taxation.

II – DETAILS OF FINANCE LAW 2009

The Finance Law for 2009 was enacted on 29 December 2008 as Law No. 2008/012. The details of the most important provisions are summarized below.

A – MEASURES TO WIDEN THE TAX BASE AND ENHANCE TAX REVENUE

1. Section 7: Deductibility of commissions/brokerage on sales

The deduction of commissions or brokerages paid to agents for sales carried out abroad on behalf of resident enterprises is now limited to a maximum of 5% of the amount of such

sales. This limitation which in the past was applicable on purchases only, has now been extended to sales.

Where the broker or agent is resident abroad, the commissions paid constitute income liable to the Special Income Tax, to be withheld at source by the Cameroonian company.

If the agent or broker is resident in Cameroon, then the Cameroonian company has the right to deduct the full amount of the commissions paid under the conditions of standard tax law. Commissions paid to resident agents are subject to VAT and Income Tax under the conditions of standard law.

2. Section 225: Widening the scope of application of the special income tax.

Henceforth, the special income tax will apply to:

- sums paid abroad by companies based in Cameroon, in remuneration for services of all kinds, with the exception of payments relating to freight, transit, loading and offloading of ships carried out on Cameroonian territory;
- audiovisual services with digital contents supplied or used in Cameroon; and
- remuneration paid to sub-contractors working for Cameroonian oil companies and who do not have no establishments in Cameroon.

3. Section 577: Taxation of real properties subject to long-lease, building or rehabilitation leases

Real properties which are subject of long lease (duration 18 to 99 years), construction or rehabilitation lease are now subject to the land tax. The tax is paid by the lessee and

constitutes a deductible charge on determining the latter's taxable income.

The taxable base of the real properties tax is constituted by the value of the land and eventually the buildings which are constructed or rehabilitated.

4. Section 589 : Increasing the media giving rise to the collection of the stamp duty on publicity

Henceforth, stamp duty is required for all expenditures related to publicity broadcast through any tangible or intangible medium. The Internet and mobile phones is thus concerned.

5. Adjustment of tax base for VAT and excise duties (Section 138-3).

A new taxable base for VAT and excise duties has been put in place for the importation of certain alcoholic beverages, in particular wines, brandies, fermented drinks, vermouths and fresh grape wines.

According to the new provisions, the tax base consists of the transactional value (customs value of an imported good computed on the basis of the price actually paid or payable for it at the time it was exported).

6. Establishment of the obligation to withhold Personal Income Tax of representatives or non employee sales agents at source (sections 50, 52 et 93 bis)

Incomes earned by representatives and non-employee sales agents are now subject to personal income tax under the category of industrial, handicraft and commercial benefits. This tax is withheld at source by the principal/company making the payment.

Where the agent fully meets his filing obligations, the PIT withheld at source constitutes an advance tax to assert during payment of the annual PIT.

7. Payment of personal income tax by partnerships and other transparent entities (Section 104 bis)

All partnerships (with the exception of those who have opted for company income tax) and other tax transparent entities are, as of 1 January 2009, required to withhold personal income tax at source on all sums paid or deemed distributed to their partners as their share of profit.

B- MEASURES TO IMPROVE THE BUSINESS CLIMATE AND SIMPLIFY PROCEDURESES

1 Deductibility of insurance premiums related to end of career benefits (section 7).

Insurance premiums paid by enterprises to Insurance companies based in Cameroon, to cover end of career benefits of their employees are now deductible. The premium is also deductible where the insurance contract is concluded with local banking institutions offering insurance products, for and on behalf of insurance companies based in Cameroon.

End of career benefit is liable to personal income tax (PIT) under the category of salaries and wages, to be withheld at sources by insurance companies in accordance with the PIT schedule.

2 Deductibility of technical provisions of insurance companies.

Technical provisions (sums set aside to guarantee the payment of engagements made in respect of the insured) made by insurance companies in conformity with the rules and methods prescribed by Arts. 334-2 et seq of the code of CIMA (*Inter-African Conference on Insurance Markets*) are now deductible. These provisions complement those already prescribed by the General Tax Code.

3 Exemption of life and health insurance commissions from VAT (Section 128-13)

Commissions received by brokers and sales agents for life and health insurance are now exempt from VAT. This measure already existed for insurance premiums.

4 Possibility for taxpayers to amend their returns for honest mistakes (Section M 34)

The 2009 finance law now provides taxpayers the chance to amend tax returns spontaneously, within the limitation period, provided they have not received an audit notice or an adjustment notice.

5 Section 244 : Consecration of the exemption from factory admission tax

Woods/timber undergoing the second or third local transformation as defined by the forestry law is exempt from the factory admittance tax.

6 Section 245 : Abolition of the deposit to guarantee payment of the annual forestry royalty (AFR)

Taxpayers of specialized management units (LTU, MSTU, FREP), who provide an attestation issued by the general director for taxation, showing that they have fulfilled all their tax obligations, are exempt from the requirement to pay caution fees to guarantee the payment of the annual forest royalty (RFA).

Canada

Country Correspondent:
Ms Debra Shalla

Scientific research and experimental development program

Background

The Canada Revenue Agency's (CRA) Scientific Research and Experimental Development (SR&ED) program is a federal tax incentive program that encourages businesses of all sizes and in all sectors to conduct research and development (R&D) in Canada that will lead to new or improved technologically advanced products or processes. It is the largest single source of federal government support designed to encourage R&D in Canada.

The objective of the SR&ED program is to deliver SR&ED tax incentives in a timely, consistent and predictable manner, while encouraging businesses to prepare their claims in compliance with tax laws, policies and procedures.

Financial incentives

The SR&ED program can provide financial incentives by helping to:

- fund the scientific and technological advances that keep a company competitive; and
- better position a company for future SR&ED projects.

A claimant may be able to deduct SR&ED expenditures to reduce their tax liability in the current year or carry these expenditures forward indefinitely to reduce their tax liability in future years.

Claimants can apply for SR&ED investment tax credits for expenditures such as wages, materials, machinery, equipment, overhead,

and SR&ED contracts. Each year, the SR&ED program provides over \$4 billion in investment tax credits (ITCs) to over 18,000 claimants. Of these, about 75% are small businesses.

Eligibility

To qualify for the SR&ED program, the work must be a systematic investigation or search that is carried out by means of experiment or analysis, in a field of science or technology that is not excluded by the legislated definition of SR&ED, **and** undertaken **either** for the purpose of achieving technological advancement **or** for advancing scientific knowledge.

Work that qualifies for SR&ED tax credits includes:

- **experimental development** to achieve technological advancement to create new materials, devices, products, or processes, or improve existing ones;
- **applied research** to advance scientific knowledge with a specific practical application in view;
- **basic research** to advance scientific knowledge without a specific practical application in view; and
- **support work** in engineering, design, operations research, mathematical analysis, computer programming, data collection, testing, or psychological research, but only if the work is commensurate with, and directly supports, the eligible experimental development, or applied or basic research.

The following activities are **not** eligible for benefits under the program:

- social science or humanities research;
- commercial production of a new or improved material, device or product, or the commercial use of a new or improved process;
- style changes;

- market research or sales promotion;
- quality control or routine testing of materials, devices, products or processes;
- routine data collection; and
- prospecting, exploring or drilling for, or producing minerals, petroleum or natural gas.

Who can apply

The businesses that are eligible under the SR&ED program fall into three groups:

1. Canadian-controlled private corporations;
2. Other corporations; and
3. Proprietorships (individuals), partnerships and trusts.

How to apply

Eligible businesses must complete [Form T661](#), *Scientific Research and Experimental Development (SR&ED) Expenditures Claim*. They must also complete one of the following:

- [Schedule T2SCH31](#), *Investment Tax Credit - Corporations*, if they are a corporation; or
- [Form T2038\(IND\)](#), *Investment Tax Credit (Individuals)*, if they are an individual.

Claims must be submitted along with a [T2 corporation](#) or [T1 individual](#) income tax return, or within 12 months of the income tax return's filing due date for the year in which the SR&ED expenditure was incurred. As a result, corporations have 18 months to file Form T661 and Schedule T2SCH31, while individuals have 17 1/2 months to file Form T661 and T2038(IND).

Services

The CRA provides a number of free SR&ED services that can help claimants take full

advantage of the benefits offered. These services include:

First-time Claimant Service

For new or potential claimants with questions about the program, this free service helps put a business in touch with SR&ED staff that will:

- work closely with them to answer questions;
- provide them with information, tools and the help they may need to complete their first SR&ED claim; and
- possibly visit a business to explain the program benefits and requirements in more detail.

Pre-claim Project Review (PCPR) Service

This free advisory service is designed to help businesses with planning and investment decisions by:

- identifying which of their R&D projects and work may qualify for SR&ED tax incentives;
- providing a preliminary opinion on the eligibility of SR&ED projects without having to generate extensive paperwork, potentially reducing the time and cost of claim preparation;
- helping them understand what supporting documentation should be kept; and
- establishing open communication and building a stronger working relationship with the CRA.

Account Executive Service

This optional service assigns businesses a designated contact person – an account executive – from the SR&ED program. This free service is generally accessible after a business has already filed its first claim and has had an SR&ED review.

The account executive will provide personal, up-to-date, consistent service by:

- being available to answer questions and deliver advice on the program;
- working with companies to facilitate participation in the SR&ED program;
- being the point of contact for the SR&ED program;
- providing a better understanding of the SR&ED program and the types of R&D that qualify for SR&ED tax incentives;
- providing consistency and continuity in service through regular communications throughout the SR&ED process; and
- providing advice on preparing and submitting claims, the type of information that is required to support claims, as well as the review process (CRA staff members cannot participate in preparing the claim).

Public Information and Industry-Specific Seminars

The CRA offers two types of free SR&ED seminars across the country. The first type, public general information seminars, provides a general overview of the SR&ED program. The second type, industry-specific seminars, explains the SR&ED program's eligibility criteria as they relate to a specific industry.

Recent developments

A [November 17, 2008 news release](#) explains how the CRA has simplified the SR&ED tax credit application process for businesses by introducing a new Web-based eligibility self-assessment tool, CD-ROM, and brochure and leaflet, and by making revisions to the form and accompanying guide. These revisions follow a commitment announced in the 2008 federal budget. Visit the CRA's [What's New](#) page for other recent news.

For more information, go to www.cra.gc.ca/sred.

Cyprus

**Country Correspondent:
Mrs Athina Stephanou**



Better regulation

In January 2007 and within the scope of Lisbon Strategy, the European Commission presented an Action Programme aimed at reducing administrative burdens on businesses in the EU by 25% until 2012. The Action Programme was endorsed by the Spring European Council in March 2007. The Council also invited Member States to set national targets of comparable ambition in 2008.

In February 2008 the Council of Ministers in Cyprus has set a target for reducing administrative burden on businesses, until 2012 by 20%. Administrative burden is any obligation a business has to do due to regulation that would not do, if it was not obliged by regulation. Actions that businesses would take irrespective of whether regulated or not do not fall under administrative burden. Focus is on information obligations in its widest form i.e. obligation towards any organization either government or private and the citizen and includes also information available for inspection.

The action plan involves simplifying procedures, amending existing legislation and measuring administrative costs using the Standard Cost Model .Furthermore it involves ensuring better regulation in the future, with an analysis of the impact on economic, social and environmental consequences of any proposed legislation.

The standard cost model formula is Price (time x tariff) x Quantity (number of businesses x frequency). The price per activity is estimated by multiplying the time required per action and a tariff based on average labour cost per hour including overheads. Where appropriate, other types of cost, such as the cost of equipment or supplies will be taken into account. The quantity is calculated as the number of businesses affected multiplied by the frequency that the activity must be carried out each year.

As regards any bills the Central Special Unit at the Ministry of Finance prepared a guide for consultation and a questionnaire that needs to be completed whenever a bill is promoted.

The consultation guide is based on the consultation principles followed by the European Commission, UK and Ireland. The purpose of the guide is to ensure that all Ministries follow certain procedures before a bill is promoted, that will ensure that the bill is justifiable considering its purpose and impact on the economy, society and environment. Main principles are that

- all affected parties are involved in the preparation of the bill, so as to ensure that all matters necessary are taken into account
- a proper guidance is given to all concern as regards the proposed legislation, so suggestions tackle the real problem. Guidance includes a short summary of the purpose of the bill, what is expected to be achieved and what is expected to be discussed at a meeting. Furthermore it includes any other documents and where necessary a questionnaire that will help parties in making suggestions that will tackle the problem.
- a proper analysis of suggestions received from all parties is made with justification of suggestions accepted/rejected
- consultation takes place within reasonable time limits.

It is also required that in all cases a questionnaire is completed. The purpose of the questionnaire is to analyze in a simple way the impact of the bill. It includes questions relating to:

- purpose of proposed legislation
- parties affected
- economic impact on public funds
- economic impact on businesses
- social impact e.g. health, number of work places, protection of young people at work ,protection of old people etc
- impact on serving the citizen and business e.g. simplification of procedures, decentralization of management ,how information received by consumer is affected etc
- impact on environment e.g. protection of drinking water , production of sewage etc

The guide also specifies that bills relating to the following are excluded from the consultation procedure:

- Annual budget and government financing
- The immediate application of EU regulations.
- The adoption of international agreements
- Excise duties
- Matters of emergency that relate to health and security of citizens
- The application of any measures in case of an economic crisis or other emergency eg physical disaster etc
- Army and Defense

As per consultation guide in every Ministry/Department a person is appointed as the facilitator .The responsibilities of the facilitator are:

- to ensure that all parties involved take part in the consultation
- arrange all meetings
- prepare all necessary material for providing proper guidance as regards the purpose of the bill

- specify time limits
- receive and analyze contributions of parties involved.
- Minute writing

It is suggested in the guide, that the facilitator is responsible for the preparation or review of any proposed legislation. Finally at the end of every year, the facilitator will notify the coordinator of each Ministry the following:

- The number of bills prepared
- Number of parties involved
- Number of parties with contributions
- The effectiveness of consultation
- Whether consultation helped or affected in any way the proposed legislation
- The times when the consultation guide was not followed and why?

The Coordinator of each Ministry will prepare a report as regards consultations and send it to the Central Special Unit that will prepare a yearly progress report for the Council of Ministers.

Better Regulation is even more important now, as a result of the economic crisis. From an article I read in a local newspaper on 22 February 2009, the GDP of the economies of OECD has shown the greatest drop in the quarter October-December 2008, over the last 50 years. The economic crisis affected dramatically the investments and consumption. Therefore in such periods, it is important that businesses are regulated to the point necessary for the regulator to administer adequate control. Any extra administrative burden will increase unnecessarily the costs of the business and will absorb time that could be spent in a more beneficial way by the business. Any extra administrative burden will also increase unnecessarily the costs of the regulator.

Lesotho

**Country Correspondent:
Setsoto Ranthocha**

Legislative Changes

The Parliament of Lesotho passed, in December 2008, an amendment to the Income Tax Act 1993. This amendment amends the second schedule of the Act which is applicable to individual taxpayers. Lesotho's fiscal year runs from April to March. The law passed in December applies retrospectively, meaning from April 2008. Since the majority of taxpayers in this category are employed persons this means that the Lesotho Revenue Authority (LRA) will refund some 48 000 affected taxpayers who have been on a monthly pay-as-you-earn (PAYE) system.

The Changes

The summary of the changes is as follows (in annual terms).

Old Structure	
New Structure	
1st and lower band	
M14 000 to M35 060	
M20 454 to M37 378	
2nd and upper band	
over M35 060	
over M37 378	
Applicable tax rates	
1st and lower band	
25%	
22%	
2nd and upper band	
35%	
35%	
Non-refundable tax credit	
M3 500	
M4 500	

How the Changes are Effectuated

Two approaches are being used to refund the taxpayers the taxes overpaid in the last ten months (April 2008 to January 2009). The first approach is direct refunding, the LRA writes refund cheques to the taxpayers. The second approach involves offsetting the overpayment against the tax liability for February and March, either once off or in two amounts.

Taxpayers to receive refund cheques consist of two main categories:

those earning annual incomes between M14 000 and M20 454 being those who will no longer be liable to tax, and those earning annual incomes between M20 454 and M60 360 being people whose total overpayments for the last ten months are more than their total liabilities for the months of February and March.

The offsetting, which affects taxpayers earning annual incomes above M60 360 will be effected by employers. Employers reduce employees' tax liabilities for February and March by the over payment of the last ten months.

Dr Jenkins Leaves the LRA

The second Commissioner General of the Authority, Dr Charles Jenkins, is to leave the LRA at the end of February 2009 after a three year successful and illustrious stay. Charlie, as he was affectionately known amongst staff joined the LRA in March 2006. The following are some of the key milestones achieved by the LRA during Charlie's able leadership.

Re-organising the LRA from a tax type organization to a functional type structure.

In the process a more service and taxpayer centric organization was created. A smaller executive management team and flatter organization resulted.

A second customer satisfaction survey was undertaken and this was independently conducted by professional outsiders with the results feeding into the re-organised LRA's corporate plan, business processes and shaping LRA's new culture.

Enhanced strategic planning and participation.

Executive and senior management's tenure is synchronized with the three year strategic plan (shortened from 5 years) which calls for timely delivery of results. The LRA saw its best performance ever in so far as meeting and exceeding revenue targets. This remains both a motivation and one of the biggest challenges facing the organization.

As a result of the taxpayer centric approach adopted and the resultant emerging culture there is increased external stakeholder participation and consultation. The Authority has signed a number of memoranda of understanding and cooperation with sister revenue administrations and business associations. The Authority is now actively involved in social responsibility programmes.

Dr Charles Jenkins leaves the Lesotho Revenue Authority during challenging times when Lesotho is faced with a possible reduction in customs revenues from the regional Southern Africa Customs Union (SACU) pool consisting of Botswana, Lesotho, Namibia, South Africa and Swaziland. The LRA is also currently engaged in a wholesale review and modernization of its information technology dependent business functions and processes. The grand desire is to have in place IT systems that are engineered around the core business functions and not the other way round as is generally the case with the existing IT systems.

Dr Jenkins will be highly missed. His professional and personal contribution will remain a legacy in Lesotho's tax administration.

Malaysia

**Country Correspondent:
Mdm Ruedah Karim**



Malaysia Tax Highlights for 2009

The Malaysian 2009 Budget speech was presented by Rt. Hon. Dato' Seri Abdullah Ahmad Badawi, the Prime Minister and Minister of Finance Malaysia on 29 August 2008. The Budget is focused on the well being of all Malaysians, further strengthening the nation's resilience to mitigate the adverse impact of an increasingly challenging external environment.

With the theme of **A Caring Government**, the 2009 Budget focuses on three specific strategies: ensuring the well being of Malaysians, developing quality human capital and strengthening the nation's resilience.

In line with ensuring the well being of Malaysians, amongst the tax changes announced in the 2009 Budget include:

1. Changes Affecting Personal Income Tax

1.1 Reduction in Income Tax Rate for Residents

Currently, resident individual income tax rates are progressive and ranges between 0% and 28%.

As a measure to ensure the individual income tax rates remain competitive and to increase the disposal income of taxpayers, it is proposed the income tax rates for the resident individual be reviewed as follows:

- i) tax rate for chargeable income group exceeding MYR35,000 to MYR50,000 by 1% percentage point from 13% to 12%; and
- ii) tax rate chargeable income group exceeding MYR250,000 be reduced by 1% point from 28% to 27%.

A comparison between the current and proposed income tax rates is as follows:

Chargeable Income Brackets (MYR)	Current Tax Rates (%)	Proposed Tax Rates (%)
1 - 2,500	0	0
> 2,500 - 5,000	1	1
> 5,000 - 20,000	3	3
> 20,000 - 35,000	7	7
> 35,000 - 50,000	13	12
> 50,000 - 70,000	19	19
> 70,000 - 100,000	24	24
> 100,000 - 250,000	27	27
> 250,000	28	27

1.2 Reduction in Income Tax Rate for Non-Residents

In line with the proposed reduction in the income tax rates for resident individual, it was proposed that the tax rate for the non-resident individual be reduced by 1 percentage point to 27%.

1.3 Increase in Tax Rebate

It was also announced that the tax rebate for chargeable income group up

to MYR35,000 be increased from MYR350 to MYR400 as part of the measures to increase the disposal income of taxpayers.

1.4 Review of Income Tax Treatment on Perquisites Provided to Employees

Currently allowances, benefits-in-kind and perquisites received by employees are subject to tax and certain benefits-in-kind has been given tax exemption.

To encourage employers to provide more benefits to their employees and to assist in reducing cost of living, it is proposed that employees be given tax exemption on allowances, benefits-in-kind and perquisites received from employers. They are as follows:

- i) petrol card or petrol allowance or travel allowance between the home and work place up to RM2,400 a year;
- ii) petrol card or petrol allowance or travel allowance and toll card for official duties up to RM6,000 a year;
- iii) allowance or fees for parking;
- iv) meal allowance;
- v) allowance or subsidies for childcare of up to RM2,400 a year;
- vi) telephone and mobile phone, telephone bills, pager, personal data assistant (PDA) and internet subscription;
- vii) employers' own goods provided free of charge or at discounted value where the value of the discount does not exceed RM1,000 a year;
- viii) employers' own services provided free or at a

discount provided such benefits are not transferable;

- ix) subsidies on interest on loans totalling up to RM300,000 for housing, passenger motor vehicles and education. The exemption be given to existing and new loans;
- x) medical benefits exempted from tax be extended to include expenses on maternity and traditional medicines such as ayurvedic and acupuncture; and
- xi) existing perquisites be extended to awards related to innovation, productivity and efficiency such as the Six Sigma Award and the exemption be increased from RM1,000 to RM2,000 a year.

However, the above exemptions are not extended to directors of controlled companies, sole proprietors and partnerships. Even though such benefits are not stipulated in the service contract of the employee, the expenses incurred on those benefits will be given full deduction.

1.5 Tax Exemption on Interest Income

To increase the disposable income especially of those who depend on income from savings, it was proposed the tax on interest income received by individuals from moneys deposited in all approved institutions be fully exempted.

2. Changes Affecting Companies and Unincorporated Business

2.1. Enhancing Group Relief

To further strengthen the competitiveness of companies, the rate of current year losses allowed to be set-off is proposed to be increased from 50% to 70%.

At present, a company is allowed to set-off its losses against the income of other company within the same group not more than 50% of current year unabsorbed losses.

2.2. Review of Co-operative Income Tax Rate

Currently co-operative income tax rates are progressive and ranges between 0% and 28%.

To streamline with the reduced income tax rates for resident individuals, it was proposed that the co-operative tax rates be reduced, as follows:

- i) tax rate for chargeable income group exceeding MYR20,000 to MYR30,000 by 1% percentage point from 3% to 2%; and
- ii) tax rate chargeable income group exceeding MYR500,000 be reduced by 1% point from 28% to 27%.

Below is the comparison between the current and proposed co-operative income tax rate:

Chargeable Income Brackets (MYR)	Current Tax Rates (%)	Proposed Tax Rates (%)
1 - 20,000	0	0
> 20,000 - 30,000	3	2

> 30,000 - 40,000	6	6
> 40,000 - 50,000	9	9
> 50,000 - 75,000	12	12
> 75,000 - 100,000	16	16
> 100,000 - 150,000	20	20
> 150,000 - 250,000	23	23
> 250,000 - 500,000	26	26
> 500,000	28	27

2.3. Expansion of Scope of Withholding Tax on Non-Residents

Presently, provisions to determine and collect tax on other incomes of non-residents under Section 4(f) Income Tax Act (ITA) 1967 are not clearly provided. Incomes under Section 4(f) are gains and profits not covered under Section 4(a) to 4(e) ITA, such as commissions, guarantee fees and introducer's fees.

To enhance transparency, equity and effectiveness of the tax system, it was proposed the income under Section 4(f) ITA 1967 is subject to withholding tax at the rate of 10% of the gross income. It was also proposed that provisions to determine the tax liability of non-residents be established as follows:

- i) if responsibility for the payment of gains or profits lies with the Federal Government, State Government or local authorities; or
- ii) if responsibility for the payment of gains or profits lies with the resident; or
- iii) if such payment is charged as an outgoing or expenses in the accounts of a business carried on in Malaysia.

2.4. Review of Withholding Tax on Technical Fees

Currently, technical fees paid to non-residents for services performed in Malaysia are subject to income tax of 10% on the gross income which includes reimbursements such as travelling cost, hotel accommodation and telephone bills. The responsibility to pay tax lies with the person who pays the technical fees through the withholding tax mechanism.

To reduce the cost of technical services provided by non-residents, it was proposed that reimbursements relating to hotel accommodation in Malaysia be excluded in the computation of gross technical fees for the purpose of withholding tax.

2.5. Implementation of Transfer Pricing Regulations

Currently, there is no specific provision under the Income Tax Act 1967 (ITA) to address transfer pricing and thin capitalization issues and such cases are dealt with by applying the general anti-avoidance provision under Section 140, ITA1967. This provision allows the Director General of Inland Revenue Board to disregard or vary transactions between related companies and make adjustments as he thinks fit. Transfer Pricing Guidelines were issued in 2003 to provide guidance to taxpayers.

To enhance transparency of tax treatment relating to transfer pricing and thin capitalisation cases, it was proposed that specific provisions be established to empower the Director General of Inland Revenue Board Malaysia to make adjustments on transactions of goods, services or financial assistance carried out between related companies based on the arm's length principle.

2.6. Implementation of Advanced Pricing Arrangement (APA)

Advance Pricing Arrangement (APA) was not included in the scope of Advance Rulings under the Income Tax (Advance Ruling) Rules 2007 which came into effect on 1 January 2007.

To manage transfer pricing issues more effectively and efficiently compared to transfer pricing audit, it is proposed that companies be allowed to apply for APAs to the Director General of Inland Revenue Board. The parties involved in APA consist of the Tax Authority and:

- i) a resident company in respect of transactions with its related companies abroad (Unilateral APA);
- ii) a resident company in respect of transactions with its related companies abroad with the Tax Authority of the foreign nation (Bilateral APA); or
- iii) a resident company in respect of transactions with more than one of its related companies and with more than one Tax Authorities of foreign nations (Multilateral APA).

The proposed changes in the 2009 Budget is regarded as a caring budget and seems to have something for everyone. Taxpayers will be given more tax exemptions, deductions and tax rate reductions to increase their purchasing power. A broad range of measures by the Government has been proposed in the budget to assist taxpayers facing the impact of higher cost of living, especially for the lower and middle income group due to the increase in oil prices and high inflation rate.

Malta
Country Correspondent:
Mr Patrick Mifsud

Appointment of New Commissioner

Following Mr Adrian Chetcuti's retirement from the Civil Service, Mr Carmel Conti has been appointed in his stead as Commissioner of the Inland Revenue. Mr Carmel Conti is a veteran of the Inland Revenue Department of more than thirty years. He has occupied numerous top positions during his career, his last post being that of Director Tax Compliance Unit.

Budget Amendments

The Budget speech for 2009 contains a number of income tax measures, the more noteworthy being the following:

- a further widening, for the third consecutive year, of the tax bands in order to reduce the tax incidence on individuals

- the introduction of further incentives aimed at encouraging women to return to employment or self-employment. Following the introduction of a tax credit in 2005, women rejoining the work force are now entitled to at least a one year tax exemption

- the penalties and interest regime is being revised downwards. Following the greater compliance achieved, it was felt appropriate to reduce the penalties for late submission of returns as well as for omissions. The interest on late payments is also being reduced

Double Taxation Agreements

In the past few months Malta has signed and ratified double taxation agreements with Singapore, Greece, Ireland and the United Arab Emirates. All these agreements have been or are in the process of being published.

Mauritius

Country Correspondent:
Mrs Vaydavadee Ramdin

1 Additional Stimulus Package – December 2008

In December 2008, the Minister of Finance announced an additional stimulus package to mitigate the impact of the global economic decline. The package aims to provide support to enterprises and the population. Some of the measures proposed include tax concessions in respect of the following-

(i) Temporary Solidarity Levy

As from 1 July 2006, a temporary Solidarity Levy was payable by tour operators, hotels and persons carrying on the business of hotel management and satisfying specific criteria, at the rate of .85 per cent of their turnover. The levy was payable in respect of 4 financial years ending 30 June 2010.

Liability to the Solidarity Levy has been suspended in respect of the taxable period 1st January 2009 to 30th June 2010, i.e up to the date the levy ceases.

(ii) Environment Protection Fee

An Environment Protection Fee was payable by certain enterprises including hotels, guest houses and tourist residences at the rate of .85 per cent of their monthly turnover.

Payment of the Environment Protection Fee by hotels, guest houses and tourist residences will not be on a monthly basis in respect of the period 1st January 2009 to 31st December 2010.

Instead, the company/business will effect payment of the fee within 4 months after the end of its accounting period, provided its profits before tax but after deduction of the fee and the temporary solidarity levy exceed 5% of its turnover for the accounting period.

Furthermore, it has been decided to exclude guest houses and tourist residences having 4 bedrooms or less from the ambit of the tax as from the period starting on 1st January 2009.

(iii) Land Transfer Tax allowed as a deduction for income tax purposes

Land Transfer Tax arising from transfer of property as from 1st January 2009 will be allowed as a deduction for income tax purposes where it is paid in the pursuance of a business or trade.

(iv) Income Tax Exemption for Freeport Operators

A private Freeport developer or Freeport Operator is exempt from income tax up to income year ending 30 June 2009 under the Income Tax Act.

The income tax exemption has been extended by a further period of 2 years.

(v) Exemption of Land Transfer Tax and Registration Duty for Construction Projects

Acquisition of freehold land during the period 1st January 2009 to 31st December 2010 for the purpose of erecting a building, whether for own use, for renting or for sale will be exempted from Land Transfer Tax and Registration Duty provided the construction project has been registered with Mauritius Revenue Authority on or before 31 December 2010 and at least Rs 50 million of construction works are completed on or before 30th June 2011.

The exemption also covers transfers effected on or before 30th June 2011, of freehold land together with a building or part of a building thereon provided construction of the building has started on or after 1st January 2009 and the total costs of construction of the buildings under the project exceed Rs 50 million by 30th June 2011.

The exemption is granted subject to certain conditions being satisfied by the company.

2 Double Taxation Agreement (DTA)

(i) The Double Taxation Agreement (DTA) between the Republic of Tunisia and the Republic of Mauritius which was signed on 12 February 2008 has entered into force on 28 October 2008. The Agreement will apply as follows

- (a) In Tunisia, on income for the year beginning 1st January 2009; and
- (b) In Mauritius, on income for the year beginning 1st July 2009.

(ii) A first round of negotiations for the conclusion of a DTA between the Government of the Republic of Yemen and the Government of the Republic of Mauritius was held from the 3rd to 6th February 2009 in Mauritius.

The Mauritius delegation was headed by Mr M Mosafeer, Director of Large Taxpayer Department, Mauritius Revenue Authority, while the Yemeni delegation was led by Mr Tariq M Al-Baraq, General Manager, Accounting and Review, Tax Authority, Ministry of Finance.

Nigeria

**Country Correspondent:
Mr Malik Tukur**



NOTICE TO MDAs ON WHT RATES AND RELATED MATTERS OF TAXATION

Notice is hereby given to all Ministries, Departments and Agencies (MDAs) that

withhold and remit the following taxes namely Value Added Tax (VAT), Withholding Tax (WHT) and Personal Income Tax (PIT) through the PAYE system (in the Federal Capital Territory), that as from the 1st of January, 2009, all FIRS collecting agents are expected to make payments directly to the FIRS VAT, WHT and PIT accounts at the relevant banks and to render returns of the remittances to the relevant tax offices of the Federal Inland Revenue Service (FIRS) in approved formats. The formats for the returns are given below. It should be noted, that the obligation to render returns is mandatory and this should kindly be adhered to going forward.

This notice has become inevitable as a result of the huge tax debts and arrears being owed by MDAs which put them in the unenviable position of tax defaulters. From experience, the tax debts arose mainly from the following reasons:

Failure to correctly deduct WHT and VAT from payment vouchers raised on contracts being executed.

Illegal retention of WHT and VAT remittances where deductions have been duly made.

Remittance of tax deductions into wrong accounts through sharp practices/collusion with touts and agents.

Non-remittance of Pay as You Earn (PAYE) deductions from staff salaries / emoluments.

This notice is therefore necessary to stop the enormous revenue leakage arising from continued non-compliance by the MDAs. This is in compliance with the provisions of the following laws:

Section 40 of the Federal Inland Revenue Service (Establishment) Act which imposes a general obligation on tax payers to deduct and remit taxes in accordance with specific provisions of the various tax laws.

Section 13 of the Value Added Tax Act, which imposes an obligation on MDAs to

withhold VAT at source on all payments and remit same to the FIRS;

Sections 81 and 82 of the Companies Income Tax Act (as amended) – which imposes an obligation to deduct and remit WHT on payments made under the Act; Section 56 of the Petroleum Profits Tax Act, which imposes an obligation to deduct and remit WHT on payments made by persons covered by the Act; and

Sections 73 and 74 of the Personal Income Tax Act, which imposes an obligation to deduct and remit WHT from payments made to individual, enterprises and partnerships, covered by the Act.

It should be noted that the above provisions of the tax laws, provide for sanctions ranging from payment of penalties and interest to imprisonment for non-compliance with the laws. This obligation to render returns under the above laws is mandatory and does not afford any exceptions. The MDAs are therefore kindly requested to ensure strict compliance going forward. In order to assist them, the formats for the returns have been attached below as appendices I, II & III.

Furthermore, given the switch to the online mode of payment (tagged FIRS Online) effective 1st January, 2009, MDAs would be able to make their remittances using the electronic tax card (e-tax card) introduced by FIRS. This would be a convenient mode of direct payment, which will ensure that in making payments to contractors, the amount of WHT and VAT are deducted and remitted directly to the FIRS by the use of the e-tax cards at the time of payment to the contractors. The approved rates of WHT are attached as appendix IV while VAT rate remains at 5% on eligible transactions. PAYE which is administered by FIRS should also be promptly remitted at the rates specified in the Personal Income Tax Act (PITA).

Based on the above, the prior practice of placing taxes deducted or collected into an intermediary account is no longer tenable as

the technology exists to make such payments directly. All Schedule Officers in charge of Accounts are therefore enjoined to deduct and remit at appropriate rates, VAT, WHT, PAYE deductions under the PITA in respect of individuals/enterprises resident in the Federal Capital Territory or other payments within the jurisdiction of the FIRS, and pay DIRECTLY to the FIRS accounts in the Banks. PLEASE NOTE THAT ON NO ACCOUNT SHOULD ANY TAX PAYMENT FOR THE FEDERAL INLAND REVENUE SERVICE BE MADE TO AN ACCOUNT OTHER THAN THAT OF THE RELEVANT FIRS ACCOUNT IN THE COLLECTING BANKS, AS THIS IS A CONTRAVENTION OF THE TAX LAWS, WHICH ATTRACTS APPROPRIATE SANCTIONS.

The FIRS expects all remittances to be accompanied with detailed schedules as set out in the appendices. In particular, each schedule shall set out the Taxpayer Identification Number (T. I. N.) of the tax payer issued by the FIRS. This is a strict requirement and MDAs are required to ensure that all contractors and customers under the jurisdiction of the FIRS provide their T. I. N. before engaging in transactions with or making payments to such entities. This will eliminate incidences where remittances were made to the FIRS without accompanying schedules, whereby the FIRS is unable to reconcile the tax position of the tax payer and creating delays in the issuance and recognition of tax credits due to the tax payers. It would also enable the FIRS confirm whether the MDAs and contractors / customers are in compliance with tax laws and provide assistance to ensure compliance.

All returns should be prepared in the prescribed format and forwarded to the relevant Integrated Tax Office (ITO) or Large Tax Office (LTO) of the FIRS not later than thirty (30) days from the date the amount was deducted or the duty to deduct arose.

The FIRS would be willing to provide specific technical assistance to MDAs upon request. In this regard, the FIRS would set up monitoring and enforcement teams, which would be empowered to visit MDAs, inspect their books and confirm compliance or non-compliance with the provisions of the law.

The FIRS will however, not hesitate to arrest, arraign and prosecute relevant officers of MDAs who neglect to withhold and remit taxes (whether fully or partially), misappropriate or divert taxes, as well as who neglect to furnish appropriate returns and provide required information to the FIRS. MDAs are therefore required to ensure full compliance with the law to avoid imposition of sanctions that may arise from non-compliance.

For the avoidance of doubt any action to be undertaken by the FIRS, will be in accordance with the provisions of relevant tax laws and particularly Section 40 of the Federal Inland Revenue Establishment Act, 2007, which states that *any person who is obliged to deduct any tax under this Act or the laws in the First Schedule to the Act (Inclusive of Companies Income Tax, Capital Gains Tax, Value Added Tax, Stamp Duty Act, Withholding Tax, Taxes and Levies (Approved List of Collection etc) but fails to pay to the service within thirty days from the date the amount was deducted or the time the duty to deduct arose, is guilty of an offence. The law also stipulates that the offender, on conviction, is liable to pay the tax withheld or not remitted in addition to a penalty of 10 percent per annum of the tax or not remitted and interest at the prevailing Central Banks of Nigeria minimum rediscount rate and imprisonment for a period of not less than 3 years.*

All MDAs are expected to comply in order to ensure the attainment of the Federal Government's goal to make tax a major source of sustainable revenue for the government and avoid recourse with legal action by the FIRS to recover taxes.

This notice is issued by the Ag Director, Field Operation, Processes and Programmes Department of the Federal Inland Revenue Service, Mr. I. A. K. Ejemeyovwi.

Appendix IV

S/N	Types of Payments	Rates (Companies) %
1	Interest, Rents & Dividend	10
2	Royalties	10
3	Building and Construction	5
4	All types of contracts and agency arrangement, other than sales in the ordinary course of business.	5
5	Consultancy & Professional Services	10
6	Management Services	10
7	Technical Services	10
8	Commission	10
9	Directors fees	10

Singapore

Country Correspondent:
Ms Angeline Chan

Highlights from Singapore Budget 2009

The Minister for Finance, Mr. Tharman Shanmugaratnam, presented the Singapore Budget 2009, themed “Keeping Jobs, Building for the Future”, on 22 January 2009. The following are some major tax measures and changes that were announced:

1. Corporate Income Tax

1.1. Reduction in Corporate Income Tax Rate

To help maintain Singapore’s competitiveness, the Corporate Income Tax rate will be reduced from 18% to 17% with effect from the Year of Assessment 2010.

1.2 Enhancements to Loss Carry-Back Scheme

Under the current loss carry-back relief scheme, any person carrying on a trade, business, profession or vocation may carry back his current year unutilised capital allowances and trade losses up to \$100,000 to set-off against his assessable income for the immediate preceding year of assessment. To help businesses which are making losses in this recession with their cash flow, the scheme will be enhanced for Years of Assessment 2009 and 2010. With the enhancements, the cap on losses that can be claimed against past taxable income will be increased from \$100,000 to \$200,000. Businesses will also be allowed to claim losses against the taxable income of their preceding three Years of Assessment, instead of just the immediate preceding year. IRAS has issued an e-Tax guide “Enhanced Carry-Back Relief System” on its website (www.iras.gov.sg) to provide more information on the enhancements.

1.3 Expansion of Scope in the Exemption of Foreign Sourced Income

Currently, a Singapore tax resident company can enjoy tax exemption on its foreign-sourced dividends, foreign branch profits, and foreign-sourced service income which is remitted from a foreign jurisdiction to Singapore subject to:

- a) The highest corporate tax rate (headline tax rate) of the foreign country from which the income was received is at least 15%; and
- b) The foreign income had been subjected to tax in the foreign

country from which they were received. The rate at which the foreign income was taxed can be different from the headline tax rate.

With effect from 22 January 2009, all foreign-sourced income earned or accrued outside Singapore on or before 21 January 2009 will be exempted from tax if the foreign-sourced income is remitted to Singapore during 22 January 2009 to 21 January 2010. The conditions that are currently required for foreign-sourced income to be exempted from tax when remitted to Singapore will also be temporarily lifted. These measures are aimed at helping businesses make the best use of all their sources of funds to meet their financing needs in Singapore during this time of credit tightness.

2. Individual Income Tax

2.1 Personal Income Tax Rebate for Resident Individuals

To help cushion the effects of the economic downturn on individuals, a one-off personal income tax rebate of 20% will be granted for all resident individual taxpayers for YA 2009. The rebate will be capped at \$2,000 for each taxpayer.

2.2 Removal of Income Tax on Net Annual Value

Currently, the Net Annual Value (NAV) of a property is taxable if it is used by the owner or on behalf of the owner for residential purposes and not for business purposes. An annual exemption threshold of up to \$150,000 is allowed on the NAV of one owner-occupied property only. Any excess of NAV above \$150,000

is subject to income tax. To reduce the tax burden of property owners who are paying the income tax on NAV while not collecting any gain or profit from the occupation of their residential property, the income tax on NAV will be removed with effect from Year of Assessment 2010.

3. Property Tax

3.1 Property Tax Rebate for Commercial & Industrial Properties

To reduce business costs during the current global economic downturn, a rebate of 40% on the property tax payable will be granted to commercial and industrial properties for the calendar year 2009. More information on the tax rebate is provided in IRAS circular “40% Property Tax Rebate for Commercial and Industrial Properties - Budget 2009” published on its website.

3.2 Property Tax Deferral for Land Approved for Development

Land owners are required to pay Property Tax in advance in January every year, for the whole year from January to December. To help ease cash-flow for businesses during the present economic downturn, the 2009 property tax on land approved for development will be deferred for up to two years with effect from 22 Jan 2009. IRAS has issued a circular “Property Tax Deferral for Land Approved for Development - Budget 2009” on its website to provide more details on the deferral.

4. Others

4.1 Introduction of Jobs Credit Scheme

To sustain jobs for Singaporeans, a temporary one-year Jobs Credit scheme will be introduced to encourage businesses to preserve jobs in the economic downturn. Under this scheme, employers will receive a 12% cash grant on the first \$2,500 of each month's wages for each employee on their Central Provident Fund payroll. The payments will be made on a quarterly basis, with the first payment to be made on 31 March 2009. The Jobs Credit will be automatically granted to eligible employers and computed based on Central Provident Fund contribution data. More details on the Jobs Credit Scheme are available on <http://www.iras.gov.sg>.

4.2 Launch of Special Risk-Sharing Initiative

During every recession, there would be a decline in credit due either to lower credit demand or because banks become more cautious about loan recovery. To ensure that good and viable companies are able to get the funding they need to stay afloat and grow in the current economic situation, the Special Risk-Sharing Initiative (SRI) will be introduced. Besides extending support to a broader segment of the credit market, the government will also share in the risks of trade financing through the SRI. The SRI has 2 components – the New Bridging Loan Programme (BLP) and the Trade Finance Schemes. The new BLP will operate for one year with effect from 1 February 2009. It aims to improve companies' access to working capital by injecting more government loan capital via the banking system. The Trade Finance Schemes comprise the Loan Insurance Scheme – Plus (LIS+) and the Trade Credit Insurance

Programme (TCIP). LIS+ will be implemented for one year from 1 February 2009 and will see the government sharing in the risk of trade financing. The TCIP will be launched in March 2009 for a year. It aims to provide better access to trade credit insurance cover for Singapore-based exporters.

The full details of Singapore Budget 2009 can be found at
<http://www.singaporebudget.gov.sg/>.

Conference on Regional Perspectives on Transfer Pricing

The Tax Academy of Singapore, a non-profit organization set up by IRAS in collaboration with the international accounting firms – Deloitte & Touche, Ernst & Young, KPMG and PricewaterhouseCoopers, the Institute of Certified Public Accountants of Singapore and the Law Society of Singapore, organized the Conference on Regional Perspectives on Transfer Pricing in October 2008. Held at the Singapore Grand Hyatt, the conference brought together experts in transfer pricing from OECD to share the latest updates on the global development of transfer pricing policies and practices, as well as explain the complex arrangements involving intangibles and business restructurings. Tax practitioners with extensive experience in regional economies in China, India and Korea offered insights on transfer pricing rules and issues. Senior tax officials from IRAS also shared their perspectives on practical issues in transfer pricing.

Singapore's Avoidance of Double Taxation Agreements Network

Singapore ratified Agreements for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income with Belgium and Uzbekistan in November 2008, and with

Russia in January 2009. With the ratification of these agreements, Singapore has in place 60 comprehensive Avoidance of Double Taxation Agreements and 7 limited Agreements. The full text of the Agreements can be found at the IRAS website (www.iras.gov.sg).

United Kingdom

Country Correspondent:
Ms Jas Sahni

New online tax help for small businesses

A series of online, bite-sized video guides for new and small businesses has been launched by HM Revenue & Customs (HMRC).

The 10 videos provide a helpful overview on a range of tax issues, including setting up in business, income tax for the self-employed, corporation tax and Value Added Tax. The videos also provide handy links to further online information and help.

In addition, HMRC is also following three people as they set up in business in a new video diary series called "The Start-up Diaries". It will follow three people as they explain, in their own words, what it's like to go it alone. A free guide for new and small businesses has also been launched alongside the videos, entitled "Giving your business the best start with tax".

The videos and guide are all available to download free from the Business Link website at <http://www.businesslink.gov.uk/taxhelp>.

HMRC casts light on new compliance checks regime

HM Revenue & Customs (HMRC) has launched a podcast on the new compliance checks regime, which comes into effect in April 2009.

The eight-minute podcast discusses the new, streamlined regime, and what it will mean in practice for small businesses and tax advisers. It covers new record-keeping requirements, new time limits for tax assessments, and outlines the safeguards that will be in place.

The free podcast is available to listen to, or download, by visiting the HMRC podcast pages at <http://www.hmrc.gov.uk/podcasts>.

Two thirds file tax returns online

A record number of taxpayers filed their self assessment tax returns online this year. A total of 5,759,006 people filed online by the 31 January deadline - an increase of over 50% on the 2008 total, when 3.8m people filed online.

67% of all self assessment tax returns were filed online this year. This surge in the use of the online channel is changing the way in which HMRC provides its customer services.

Large employers – it pays to listen

A new podcast explaining forthcoming Pay As You Earn changes for large employers has been launched by HM Revenue & Customs (HMRC).

The five-minute podcast features the new online filing requirements, which will affect large employers from April 2009 onwards. As well as setting out who's affected, the podcast offers help and advice on preparing for the changes.

The free podcast is available to listen to, or download, by visiting the HMRC podcast pages at <http://www.hmrc.gov.uk/podcasts>.

HMRC consults on draft charter

The rights and responsibilities of individuals and businesses dealing with HM Revenue & Customs (HMRC) have been published in a

draft consultation document. It contains a one-page, draft Charter which sets out:

- * the role of HMRC;
- * what customers can expect from HMRC;
- * what HMRC expects of its customers; and
- * where customers can find information when things go wrong.

The consultation document, containing details of the Charter and seeking views on its contents, has been published on the HMRC website at:
<http://charterconsultation.hmrc.gov.uk> .

Double Taxation Conventions

Saudi Arabia

A Double Taxation Convention between the UK and the Kingdom of Saudi Arabia was signed in London on 31 October 2007 and entered into force on 1 January 2009. The

text has been published as the [Schedule to the Double Taxation Relief and International Tax Enforcement \(Taxes on Income and Capital\) \(Saudi Arabia\) Order 2008 \(PDF 2MB\)](#) (Statutory Instrument 2008 No. 1770). The text of the Order can be accessed on the web site of the [Office of Public Sector Information](#).

Bermuda

A Tax Information Exchange Agreement between the UK and the Overseas Territory of Bermuda was signed in London on 4 December 2007 and entered into force on 10 November 2008. The text has been published as the [Schedule to the International Tax Enforcement \(Bermuda\) Order 2008 \(PDF 1.03MB\)](#) (Statutory Instrument 2008 No1789). The text of the Order can also be accessed on the website of the [Office of Public Sector Information](#).