

Editorial

NEW STRATEGIC OBJECTIVES

A clear vision of the objectives, goals and targets of any organisation is essential to ensure that the resources at the disposal of that organisation are employed in the most effective manner in activities that best promote the interests of the organisation. Strategic planning is the current tool for identification of objectives and implementation of the means to achieve such objectives. Where this is not done, resources are likely to get consumed in relatively wasteful activities. It was with these considerations in mind that the Management Committee of CATA decided to undertake the exercise of developing CATA's second strategic plan, following the very satisfactory implementation of the first strategic plan of CATA adopted at its Seventh General Meeting in Samoa in 1997.

Planning the future can only be successful if the planning process is undertaken with the fullest cooperation and participation of the broad membership. The planning process in CATA was initiated through issuance of a participating and opinion seeking questionnaire. The fundamental principle of demand driven decision making was at the heart of the exercise. After consideration of key issues involved at different stages, the second Plan was adopted at the Ninth General Meeting of CATA held in Kuala Lumpur, Malaysia in December 2003.

The new plan sets five strategic priorities for CATA. The first and perhaps the most important one relates to CATA's core activity, namely, training of tax officials at various levels of management in a wide range of subjects covering both tax policy and administration. The plan envisages continuation of the present delivery of high quality training programs relevant to developing countries. At the same time, the plan acknowledges the importance of expanding the scope of knowledge to include new subjects, such as a gradual increase in emphasis on indirect tax issues, especially VAT in the course contents. The plan also envisages in time, a qualitative upgrading of training methods to enhance efficiency and cost-effectiveness, possibly by using Internet and Information Technology more than at present. In general, the new strategic plan adopted after comprehensive consultation amongst members gives a massive vote of confidence in favour of the traditional activities carried out by CATA.

The second strategic priority is that of improving communication channels between the Secretariat and members on the one hand, and between members themselves on the other, especially within various geographical regions of the membership. The creation of the posts of Regional Directors and Country Correspondents under the first Strategic Plan of CATA has gone a long way in improving communication and information exchange between CATA Secretariat and members. The current initiative again places a qualitative emphasis on existing arrangements through a higher level of performance evaluation and accountability for the performance of various office bearers. The plan envisages greater contact between the Secretariat and regional directors by appointment of the latter from countries represented on the management committee of CATA. The previous approach was to have regional directors from countries not represented on the management committee to allow for a broader over all representation. New initiatives also require periodical regional contacts between regional directors and country correspondents within each region. The purpose of this contact is to encourage and enhance participation levels and to regularize exchange of information. In keeping with current developments, optimizing the role of CATA's web site in contact and communication is a key priority. The web site is being continually upgraded. It now has several linkages to the official web sites of members, international organisations and a discussion forum for members of the management committee to enable instant contact for exchange of views on matters of urgency.

The third strategic priority is to develop mutually beneficial partnerships with other international organisations, such as with the Committee of International Organizations of Tax Administrations (CIOTA) and with specific tax organizations within the committee. This includes sharing learning events, brokering contacts, or participating in technical assistance projects, etc. It also includes working with other Commonwealth organisations on mutually beneficial joint projects.

In developing the new strategic plan, focusing on "realistic" targets was a major consideration. Plans can only be implemented successfully if these are based on realistically achievable targets. Delivery of major technical assistance projects to members is beyond the capability of CATA given the available resources at this time. However, CATA can undertake assessment of the types of technical assistance likely to be sought by members

over the duration of this strategic plan, maintain a database on such information and facilitate arrangements between the requesting country and potential sources of relevant technical expertise. This is the fourth strategic priority set out in the new plan.

The fifth strategic priority relates to the use of performance measurement tools for CATA's undertakings, including training programs, conferences, and other learning activities, as well as CATA's progress in implementing the priorities identified in this plan. Rather than assess outcome at the end of the four year period, the plan envisages an on-going evaluation process to enable corrective action, where necessary, during the life span of the strategic plan.

While CATA's first strategic plan covered a period of three years, the current plan has a four year term. This adjustment has been incorporated in order to align CATA's strategic planning cycle with that of the Commonwealth Secretariat following recommendations of the Commonwealth Inter-Governmental Committee on Review of Mandates set up by the Commonwealth Head of Governments in 2001. Recommendations included that CATA should strengthen co-ordination between its activities and those of relevant Commonwealth Secretariat Divisions and aligning CATA's strategic planning cycle with that of the Commonwealth Secretariat.

CATA NEWS

TWENTY FIFTH CATA ANNUAL TECHNICAL CONFERENCE/ WORKSHOP

CATA's Twenty Fifth Annual Technical Conference/Workshop will be held in **Lusaka, Zambia** during **5 to 10 September, 2004**. Plans to have the opening ceremony on Sunday 5 September are under consideration at present to allow more time for discussion on technical issues.

Venue:

The Conference will be held at **Taj Pamodzi Hotel** in **Lusaka**

Contact particulars for the hotel are as follows:**Martha Namwinga**
Taj Pamodzi Hotel
Tel.: 260-1-254455
Fax: 260-1-254005
Email:Martha.namwinga@tajhotels.com or Martha@zamtel.zm
Web: www.tajhotels.com

Details regarding hotel accommodation and other conference related information is available in CATA's Circular No. 3 of 2004 issued on 25 February 2004 and available on CATA's web site.

Topics:

The following two topics will be discussed at the Conference:

- 1. Strategies for widening the tax base**
- 2. Building Capacities in Revenue Agencies**

Background Papers:

Due date for submission of background papers was 31 March 2004. Thus far

21 background papers have been received from members on both topics. Those who have not sent in their background papers as yet are reminded to do so at the earliest.

Members were also requested to send their nominations and registration forms by 30 April 2004. Countries which have not notified the Secretariat so far are requested to expedite nomination processes at their respective ends and inform the Conference Coordinator and CATA Secretariat simultaneously.

Mrs Priscilla C. Banda, is the Conference/Workshop Coordinator. She can be contacted as follows:

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Revenue House

Kabwe Roundabout

P O Box 35710, Lusaka

ZAMBIA

ADVANCING MANAGEMENT POTENTIAL (AMP) 2004

Preparations to run the Advancing Management Potential (AMP) training programme for 2004 are at an advanced stage. It is intended for a maximum of fifteen participants.

Dates:

Internet: 7 June to 18 July 2004

Residential: 2 August to 17 Sep 2004

Internet: 6 Oct to 31 Dec 2004

Course Director:

Alan Harley

Course Fee:

The Course fee of **£8,100**, per participant will cover tuition costs, accommodation, most meals and reading materials.

COMMONWEALTH TAX INSPECTORS COURSE (CTIC) 2004

Preparations are also on course for holding the Commonwealth Tax Inspectors Course (CTIC) 2004 for compliance/audit officials.

Dates:

Internet: 7 June to 16 July 2004

Residential: 2 August to 19 Sep 2004

Internet: 6 Oct to 31 Dec 2004

Course Director:

Peter Catchpole

Course Fee:

The Course Fee of £8,100 will cover tuition costs, accommodation, most meals and reading materials.

COMMONWEALTH MANAGEMENT DEVELOPMENT PROGRAMME (CMDP) 2004

The Commonwealth Management Development Programme for 2004 will be hosted by Malaysia from **30 August to 8 October 2004**.

The 6 weeks programme will be held at the National Tax Academy, Inland Revenue Board, Bandar Baru Bangi, Selangor – MALAYSIA CATA Secretariat issued the workshop Circular on 10 March 2004. Circular No. 5 of 2004 is available on CATA's web site at www.cata-tax.org

TAXATION OF INTERNATIONAL TRANSACTIONS (TOIT) 2004

CATA's workshop on International Taxation for the year 2004 will again be hosted by the Malaysian Inland Revenue Board from **2 to 20 August 2004**

The Workshop will be held at the National Tax Academy, Inland Revenue Board, Bandar Baru Bangi, Selangor – MALAYSIA

The Workshop Circular No. 4 of 2004 dated 9 March 2004 is also available on the CATA web site at www.cata-tax.org

TAX POLICY AND ADMINISTRATION COURSE (IRAS) SINGAPORE 2004

The Inland Revenue Authority of Singapore (IRAS) will be conducting the Tax Policy & Administration Course in Singapore from **27 September to 8 October 2004**. The objective of the course is to provide the trainees with an understanding of Singapore's tax administration and policy formulation. Tax officials from all CATA member developing countries can apply. The closing date for applications is 5 July 2004.

CATA Secretariat issued the programme Circular on 15 April 2004. Circular No. 6 of 2004 is available on CATA's web site at www.cata-tax.org

ANNUAL MANAGEMENT COMMITTEE MEETING 2004

The first annual meeting of the newly elected Management Committee was held in London on 11 & 12 May 2004. The Committee discussed various issues of importance, including those emerging from the adoption of CATA's second Strategic Plan during the Ninth General Meeting held in Kuala Lumpur in December 2003.

NOMINATIONS FOR COUNTRY CORRESPONDENTS FOR 2003

The Management Committee of CATA at its annual meeting in London evaluated the performance of Country Correspondents for the year 2003. The following individuals were approved by the Committee as the nominated "Correspondents for year 2003".

Mr S K Chawdhari	India
Ms Nurul Aim Bt. Ahmad	Malaysia
Mdm. Asriah Shaari	
Mr Carmel Conti	Malta
Mr A S Yong Luck	Singapore
Mr Tie Wee Tan	
Ms Angelia Burke	UK
Ms Jas Sahni	

The Management Committee also expressed its appreciation for the contributions made other correspondents and countries and decided to record its appreciation in particular for contributions made by **Ms Pam Mitchell (Australia)** and **Ms Alice Owuor (Kenya)**.

CIOTA MEETING

The next meeting of the Committee of International Organizations for Tax Administrations (CIOTA) is being held on June 16, 2004 in Prague, Czech Republic. The meeting will examine, inter alia, various options for the long-term future of CIOTA and its activities. It will also hold a wide-ranging discussion on the 1st CIOTA World Conference planned for 2005/2006. Members of CIOTA are scheduled to examine upcoming events within CIOTA member organizations for better coordination between member organisations.

CATA CONFERENCE 2005

Canada Revenue Agency (CRA) has agreed to host the 2005 CATA Conference. The exact venue for the conference, expected to be held around September / October 2005 will be decided later. The conference will discuss the following two subjects:

1. Customer Services
2. Tax Evasion and Avoidance

Mr Robert Russell, Canada's representative on the Management Committee of CATA confirmed his country's commitment during the annual meeting of the Committee in London during 11 and 12 May 2004.

CATA WEB SITE DEVELOPMENT

CATA's web site continues to be improved and enriched with new features based on experience as well as feed back from members. It now has linkages to several national web sites of member countries. These are easily accessible from the Homepage. Similarly linkages to a large number of international organisations are also now operational. A discussion forum for members of the Management Committee has been in place now for several months. It provides the opportunity for members to discuss issues of importance at any time other than regular annual meetings.

Other new features include "Archives" containing documents relevant to previous years and a "Photo Gallery" containing selected photographs from various events organised by CATA. Members are invited to explore the new features and provide suggestions for further additions and improvements. It is very encouraging and satisfying that the number of "hits" to CATA's web site have gone up significantly during the past few months.

PAKISTAN's CATA MEMBERSHIP RESTORED

The Commonwealth Ministerial Action Group on the Harare Declaration (CMAG) met in London on 21-22 May 2004. The Group welcomed the progress made in restoring democracy and rebuilding democratic institutions in Pakistan as well as the restoration of the 1973 Constitution and decided therefore that Pakistan should no longer remain suspended from the Councils of the Commonwealth.

Pakistan's membership of CATA accordingly stands restored simultaneously. Invitations have been sent to the Central Board of Revenue in Islamabad for the country's participation in various forthcoming CATA events.

NEW APPOINTMENTS

NEW EXECUTIVE CHAIRMAN FOR UNITED KINGDOM

It has been announced that the new department formed from the merger of the Inland Revenue and Her Majesty's Customs and Excise will be called "Her Majesty's Revenue and Customs".

Mr David Varney, outgoing chairman of mobile phone firm MMO2 and chairman of Business in the Community, will become the new department's Executive Chairman.

Mr Paul Gray, currently Second Permanent Secretary in charge of pensions and disability at the Department for Work and Pensions, will be Deputy Chairman.

NEW CHAIRMAN FOR PAKISTAN

Mr Abdullah Yusaf has assumed charge of the office of Chairman, Central Board of Revenue in Pakistan. He takes over from Mr Riaz Malik who retired from service recently after a very distinguished and successful career with the Customs & Excise Department and the Central Board of Revenue.

NEW COUNTRY REPRESENTATIVE

Mr George Poufos, Director of Inland Revenue, Cyprus is the new country representative in place of Mr P Rialas.

NEW COUNTRY CORRESPONDENTS

Cyprus

Mrs Athina Stephanou, Senior Principal Assessor, Inland Revenue Department, Cyprus is the new country correspondent in place of Mrs Damaskinou.

Tanzania

Mr Protas H MManda, Director Taxpayer Education has been appointed as the new Country Correspondent for Tanzania in place of Mr M Mfaume.

Zambia

Mr Pumulo Akapelwa, Senior Tax Inspector has been appointed as the new Country Correspondent for Zambia in place of Mr Raymond Mbali, Assistant Commissioner, who retired on 31 March 2003.

OTHER NEWS

SECRETARY-GENERAL CALLS FOR GREATER MARKET ACCESS FOR DEVELOPING COUNTRIES

Commonwealth Secretary-General Don McKinnon has called on developed nations to adopt radical reforms of agricultural subsidies and improve trade access for developing countries to alleviate poverty.

In an article in a new publication, 'Agriculture in the Commonwealth', the Secretary-General said greater market access would offer the quickest and most effective route towards economic progress for developing countries.

"The EU, US and Japan must realise that opening their markets to the developing world and lowering trade subsidies is in everyone's interest," said Mr McKinnon. "This will allow emerging market nations to develop their economies and provide new, untapped markets to the industrialised world."

The Secretary-General said huge agricultural subsidies in the developed countries effectively undermine every attempt by efficient agricultural exporting nations, including many Commonwealth developing countries, to add value to their primary agricultural products.

Citing figures from the World Bank and the International Monetary Fund, he said the liberalisation of trade in agricultural products would increase developing country exports by between US\$30 billion and US\$100 billion annually.

"It is absurd that farmers in the developed world continue to receive subsidies to generate goods that farmers in more competitive agricultural exporting nations can produce cheaply and efficiently," stated Mr McKinnon.

He said it is vital for developing nations to have access to markets in the rich world in order to grow.

"As long as developing countries are cut off from markets in the developed world, they stand no chance of lifting themselves out of poverty. As long as the US, Europe and Japan continue dishing out farm subsidies at the rate of US\$1 billion a day, developing nations stand no chance of trading their way out of poverty. That is not only trade injustice: it is trade apartheid."

The Secretary-General said the Commonwealth is uniquely placed to achieve a workable consensus on trade with its member states spanning both ends of the development spectrum. He believed that such a consensus could be used as a basis to build broader agreement across the World Trade Organisation. And as a follow-up to the Commonwealth summit in Abuja, Nigeria, in December 2003, a Commonwealth Ministerial Trade Mission was established to help revive the Doha trade talks. Mr McKinnon said the Commonwealth can help member countries expand their trade and investment networks because of its significant role as an instrument of economic and cultural co-operation.

DEVELOPMENT AND DEMOCRACY GO HAND IN HAND

Commonwealth Secretary-General Don McKinnon has urged members of the Association of Commonwealth Studies (ACS) to help widen the influence of the Commonwealth Report on 'Making Democracy Work for Pro-Poor Development'. He was speaking at the Second Annual Conference of the ACS held at the Institute of Commonwealth Studies in London, UK, on 17 May 2004.

The Report was prepared by the Commonwealth Expert Group on Development and Democracy. Chaired by Dr Manmohan Singh of India, the Expert Group was established at the request of the 2002 Commonwealth Heads of Government Meeting (CHOGM) in Coolum, Australia. The Coolum Declaration states, "Recognising the links between democracy and good governance on the one hand, and poverty, development and conflict on the other, we call on the Commonwealth Secretary-General to constitute a high-level expert group to recommend ways in which we could carry forward the Fancourt Declaration [on Globalisation and People-Centred Development, issued by the 1999 CHOGM in Durban, South Africa]." The Report was received by the Abuja CHOGM last year. It constitutes the template for the work of the Commonwealth over the next few years.

In his address Mr McKinnon said, "We need your help in ensuring its recommendations are known, discussed, debated. That is how promoting development for the poor will gain momentum. That is how we will get better policies that benefit the worse off in our Commonwealth of Nations. That is how we will get better, more effective democracies, which will deliver greater growth and better prospects to those who need it most. We look forward to working in even closer partnership with you to deliver those results.

"At the heart of the Report is the recognition that development and democracy go hand in hand. They're interdependent. As I have said before, they are twin engines of social progress: if one fails, you have a society working on a single engine. The challenge is to make sure they are mutually reinforcing. In other words, we must make freedom work for growth and make growth work for freedom.

"The Report makes a number of recommendations to achieve this. These recommendations are designed to help governments draw up policies that alleviate poverty and consolidate democracy. In particular, it outlines a number of institutions and principles aimed at strengthening democracies. These include free and fair elections and representative legislatures; an independent judiciary; a transparent public account system; machinery to protect human rights; the right to information and active participation of civil society."

Also present at the Conference were the new members of the Civil Society Advisory Committee of the Commonwealth Foundation. Mr McKinnon said that this committee was "a sign of the ever closer collaboration which is developing between the 'official' and 'non-official' Commonwealth. It's thanks to this kind of collaboration that we're able to do more for the people and communities of the Commonwealth."

GOOD GOVERNANCE KEY TO POVERTY REDUCTION IN DEVELOPING COUNTRIES

Good governance at the local level is key to poverty reduction and improvement of the quality of life of poor people in developing countries. Governments can play a vital and proactive role by ensuring that good governance is guided by an ethic of effective implementation.

These points were highlighted at a workshop on good governance held in Dhaka, Bangladesh, on 18-22 April 2004. Funded by the Commonwealth Fund for Technical Co-operation, the workshop was attended by participants

from the Asia region and organised by the Centre on Integrated Rural Development for Asia and the Pacific (CIRDAP).

The participants noted that good governance was a continuous process to bring necessary changes in the development of a country to create a win-win situation for all the stakeholders in national development like government and opposition, civil society, non-governmental organisations, businesspeople and donors. The workshop also highlighted that with grassroots level identification of target groups, organisation and participatory planning, local government organisations can bring their services to the poorer sections of society, particularly in rural areas.

In his opening speech, Abul Mannan Bhuiyan, Bangladesh's Minister for Local Government and Rural Development and Co-operatives, said, "The resultant impact

of these village development programmes has been considerable social betterment and reductions in poverty levels. Ultimately, better governance comes from changing attitudes and practices of government, opposition, civil society, NGOs and donors, which is a tough and gradual process even in the best of circumstances. In the short and medium

terms there will be both winners and losers. In the long term there are only winners."

BUILDING onLINE INVESTMENT PROMOTION CAPACITY IN THE PACIFIC

Building the online capacity of investment promotion agencies in the Pacific was the focus of a three-day regional workshop held in Apia, Samoa, on 20-22 April 2004. Twelve Pacific island investment promotion agencies (IPAs) participated in the workshop, which was part of a regional initiative to develop the online presence and capacity of IPAs in the Pacific.

Inaugurating the workshop on 20 April, Samoa's Minister for Commerce, Industry, Labour and Tourism, Hans Joachim Keil, said, "This project is vital to all the Pacific Island States in overcoming their geographical remoteness, embracing new technology and facilitating opportunities for economic development in the region."

Pierre Berthelot, Deputy Director in the Commonwealth Secretariat's Special Advisory Services Division, said, "The purpose of the workshop was to augment the online content developed by the individual IPA websites, besides providing suitable strategies to the regional IPAs. This is part of the Secretariat's initiative to promote competitiveness in small island states. The workshop delivered significant outcomes for the regional IPAs, which have shown a great degree of commitment towards the initiative."

Countries and territories participating in the workshop included Cook Islands, Fiji Islands, Kiribati, Niue, Papua New Guinea, Tonga, Tuvalu, Samoa and Vanuatu, as well as the non-Commonwealth countries of the Federated States of Micronesia, Palau, and the Republic of Marshall Islands.

NEW PUBLICATION: 'A FRAME- WORK FOR CITIZENSHIP EDUCATION IN SIERRA LEONE'

Following 11 years of civil strife and violence, the people of Sierra Leone are once again on the road to development and advancement, restoring their country to what was once called the 'Athens of Africa'.

In a foreword to a new book, 'A Framework for Citizenship Education in Sierra Leone', the country's Minister of Education, Science and Technology Dr Alpha Wurie, writes: "As a consequence of our experience, i.e. 'what life has taught us', we are now striving to sustain the hard-earned peace and build a foundation for a peace that will last."

With this in mind, the Education Ministry of Sierra Leone, with the support of the Commonwealth Secretariat and civil society partners, has forged a consensus on the education of the country's citizens through a National Policy for Education.

'A Framework for Citizenship Education in Sierra Leone' is a new publication by the Secretariat and the Sierra Leone Ministry of Education, Science and Technology in association with the British Council that forms an important component of Sierra Leone's education policy.

LOCAL GOVERNMENT PLAYS CRUCIAL ROLE IN DEVELOPMENT

As local government plays an essential role in development, it must create its own strong democratic institutions. Commonwealth Secretary-General Don McKinnon made this point in an introduction to the 'Commonwealth Local Government Handbook 2004', launched in Jamaica on Monday, 19 April 2004 by Jamaica's Prime Minister P J Patterson.

In his introduction, the Secretary-General says: "This handbook of Commonwealth local government is one of the tools by which CLGF [Commonwealth Local Government Forum] is addressing best democratic practice in local government. It sets out the position of local government throughout the countries of the Commonwealth, describing the systems and institutions for local government and the services they provide.

"It represents a valuable reference in itself, but also promotes the sharing of information and ideas on best practice between countries. The next edition will complete the series and cover all the countries of the Commonwealth. It will include case studies on deepening local democracy, the theme of the third Commonwealth Local Government Conference to be held in Aberdeen [in Scotland] in March 2005."

The 2004 Handbook is the third edition and contains 26 full country profiles describing how local government is organised, local government structures, election systems, legislation, service responsibilities, funding, and relationships with central government.

ENTREPRENEURSHIP OPPORTUNITIES FOR YOUNG PEOPLE

Lack of information, market opportunities and entrepreneurial culture can be barriers to the development of business enterprises. This was one of the issues discussed at a Stakeholder's Meeting in Shillong, India, from 5 to 7 April 2004 to explore ways to promote the Commonwealth Youth Credit Initiative (CYCI), a micro-credit programme to encourage entrepreneurship.

The meeting was jointly organised by the Commonwealth Youth Programme (CYP) Asia Centre and India's Ministry of Youth Affairs and Sports to examine the CYCI model for the young people of the north-eastern states of India.

It identified the opportunities in the region which included the abundance of natural resources, the availability of skilled craftsmen in weaving and traditional goods, good infrastructure and access to finance.

The meeting brought together government agencies, non-governmental organisations, development agencies, development banks, potential financial backers, community leaders and other relevant parties in north-east India. Participants studied the CYCI model, assessed its feasibility and planned an adaptation programme. They also learned about micro-finance activities and micro-enterprises in north-east India.

SMALL ISLAND STATES FACE NEW CHALLENGES

Commonwealth environment ministers said security concerns and the emergence of highly communicable and vector-borne diseases are new challenges to the sustainable development of small island developing states (SIDS). The Commonwealth Consultative Group on Environment (CCGE), which comprises Commonwealth environment ministers and senior officials, made these observations at a meeting on 28 March 2004, in Jeju, Republic of Korea. They met ahead of the Eighth Special Session of the UN Environment Programme/Global Environment Ministers Forum, also held in Jeju.

At the CCGE meeting, the ministers highlighted the need to build the capacity of SIDS to participate in the multilateral trading system and to ensure that they have a supportive international environment to help them integrate into that system. Other issues discussed were the impact of natural disasters, as recently highlighted by the devastating Cyclone Heta that hit Niue and other islands in the Pacific in January this year, and the need to address the adverse effect of climate change and rise in the sea level.

NEW PUBLICATION: 'INTERNATIONAL TECHNOLOGY TRANSFER TO DEVELOPING COUNTRIES'

Developing countries face resource constraints in their efforts to bridge the technology gap. This book identifies the influence of existing policies on trade, foreign direct investment and intellectual property rights in facilitating international technology transfer (ITT). Analysis of the major implications of the report is presented together with

the findings of the World Trade Organisation Working Group on Trade and Technology Transfer on increasing technology flows.

This title provides an overview of the economics of ITT relevant to developing countries and discusses the role of market forces, and national and multilateral policies. It can serve as a reference tool for policy-makers and trade officials.

HELPING TO EMPOWER WOMEN THROUGH THE INFORMAL ECONOMY

Some 80% of the labour force in developing countries is in the informal economy and women make up most of it. This was the heart of a seminar on 'Women and Informal Economy' held on 16 March 2004 at the Commonwealth Club in London, UK.

Gender imbalance in the informal economy, where women are disadvantaged in terms of their rights and social protection, is common in developing countries, according to speakers at the seminar.

Sarojini Thakur, Chief Programme Officer on Women and Economic Empowerment at the Commonwealth Secretariat, highlighted the needs, constraints and opportunities for women in the informal economy and avenues to promote good practices.

"There is a need to establish core labour standards to secure the rights of these informal wage workers, and a need for social protection in terms of security, insurance, maternity benefits, pensions and health services. Women suffer from various kinds of disadvantage including unequal access to productive resources, land, property and credit, and other constraints such as lack of time and mobility restrictions."

Ms Thakur announced the publication of two new books, one in the Gender Mainstreaming series and another on case studies, which will be available in September 2004. The Secretariat has also supported the publication of brochures on the informal economy.

NURTURING RESILIENCE OF SMALL STATES

Twenty-six experts from all Commonwealth regions have issued recommendations on how the resilience of small states can be developed in the face of their economic vulnerability. The recommendations, contained in the Gozo Declaration issued by the experts on 3 March 2004, elaborate key components to be considered in measuring and nurturing such resilience.

The experts met at a workshop in Gozo, Malta on 1-3 March 2004. They were brought together by the Commonwealth Secretariat and the University of Malta's Economics Department and Islands and Small States Institute of the Foundation for International Studies. They included academics, policy-makers and practitioners, and representatives international and regional organisations.

The experts explored the elements of successful resilience-building practices that small states could emulate. These included: the promotion of good governance, political stability and the rule of law; the creation of a sound macro-economic framework; the promotion of fair trade practices and the fostering of competitiveness; the enhancement of labour productivity and labour market flexibility; the promotion of social cohesion, poverty eradication, sustainable livelihoods and harmonious social development; the protection and sustainable management of the environment; and the promotion of innovation, research and technology as sources of competitiveness.

The Gozo Declaration also included recommendations for the international community. It urged the relevant United Nations agencies to continue providing support to small states, towards the promotion of sustainable development and resilience-building. It also urged the international donor community, including multilateral financial organisations, to extend financial and technical support to small states in their efforts to cope with their inherent vulnerability and to build their resilience. It called for the World Trade Organisation to take account of the special trade concerns and needs of small states and their vulnerabilities arising from trade liberalisation and globalisation, and accordingly consider granting special and differentiated treatment to such states.

The workshop took place in the context of preparations for a major international meeting to be held in Mauritius in August 2004, to review implementation of the Barbados Programme of Action on the Sustainable Development of Small Island Developing States (SIDS). The Barbados Programme of Action is a blueprint for sustainable

development for SIDS agreed in 1994 as a follow-up to the Rio Earth Summit in 1992. An interregional preparatory meeting in Nassau, The Bahamas, in January 2004 reconfirmed the economic vulnerability of SIDS and called for the development of an economic resilience index.

NEW PUBLICATION: 'SMALL STATES: ECONOMIC REVIEW AND BASIC STATISTICS, VOLUME 8'

This is the eighth issue of this annual publication, which was previously published under the title 'Basic Statistical Data on Selected Countries'. It relates to countries with populations of less than 5 million, providing a unique source of information on small states. The publication is in two parts. The first part provides a narrative focusing on the recent economic performance of Commonwealth small states. It also contains feature articles on 'Small Vulnerable Economy Issues and the World Trade Organisation' and 'Small Island States in the Face of Climatic Change: The End of the Line in International Environmental Responsibility'. The second part provides social and economic data on small states, presented in 51 tables. In order to maintain the continuity of the statistical series, the country coverage and country groupings based on income are the same as those used in previous issues of this publication.

TWENTY-THIRD MEETING OF THE COMMONWEALTH MINISTERIAL ACTION GROUP on THE HARARE DECLARATION (CMAG)

Marlborough House, London, 21-22 May 2004

CONCLUDING STATEMENT

1. The Commonwealth Ministerial Action Group on the Harare Declaration (CMAG) met in London on 21-22 May 2004. This was the Group's first meeting following its reconstitution by Commonwealth Heads of Government in Abuja, Nigeria in December 2003 and the twenty-third meeting since CMAG's establishment at the Auckland Commonwealth Heads of Government Meeting (CHOGM) in November 1995. The meeting was attended by the Hon Tuila'epa Sa'ilele Malielegaoi, Prime Minister and Minister of Foreign Affairs and Trade of Samoa; the Hon Mohlabi Kenneth Tseko, Minister of Foreign Affairs of Lesotho, the Hon John Dalli, Minister of Foreign Affairs and Investment Promotion of Malta, the Hon Olu Adeniji, Minister of Foreign Affairs of Nigeria, the Hon Jakaya M. Kikwete, Minister of Foreign Affairs and International Co-operation of the United Republic of Tanzania, HE Mr Basil G. O'Brien, High Commissioner of The Bahamas to the UK, HE Mr. Faisz Mustapha, High Commissioner of Sri Lanka to the UK, Mr Robert J. Rochon, Acting High Commissioner of Canada in London and Mr Satyabrata Pal, Acting High Commissioner of India in London.
2. CMAG adopted its Agenda and unanimously elected the Hon Olu Adeniji, Minister of Foreign Affairs of Nigeria as its Chairman.
3. CMAG reviewed developments in the countries on its Agenda, namely Fiji Islands and Pakistan.

Fiji Islands

4. CMAG received an oral presentation from the Hon Kaliopate Tavola, Minister of Foreign Affairs of Fiji Islands, on developments in that country.
5. CMAG commended the considerable progress Fiji Islands has made in addressing the issues of democratic governance and national reconciliation in line with CMAG's earlier statements. The Group welcomed the ongoing dialogue between the Government and the opposition through the Talanoa process on a number of key issues. It encouraged the parties to come to agreement on outstanding issues and appreciated the commitment to abide by the rulings of the Fiji Supreme Court.
6. In recognition of this progress, the Group concluded that Fiji Islands should not remain on its agenda. However, CMAG noted the unresolved issues continuing before the courts and agreed it would continue to consider reports on developments in Fiji Islands by the Secretary-General under "Other Matters of Interest to Ministers".
7. CMAG requested the Secretary-General to continue to monitor the situation in Fiji Islands in pursuance of his good offices role and to provide appropriate technical assistance, as required by the Government of Fiji Islands, to strengthen democratic processes and institutions.

Pakistan

8. CMAG noted the adoption by Parliament of the Legal Framework Orders, thus bringing them into Pakistan's Constitution. The Group welcomed the progress made in restoring democracy and rebuilding democratic institutions in Pakistan as well as the restoration of the 1973 Constitution, as amended by the 17th Amendment, and decided therefore that Pakistan should no longer remain suspended from the Councils of the Commonwealth.

9. However, CMAG noted continuing concerns in regard to the strengthening of the democratic process in Pakistan. It was the Group's expectation that there would be no deviation from the agreement reached between the Government and the opposition parties in December 2003 and that the 17th Amendment to the Constitution be implemented fully in letter and spirit, including the issue of the separation of the offices of President and Chief of Army Staff. The Group further hoped that the process of democratization would be consolidated in such a way as to encourage a broader embrace of the Harare principles.

10. CMAG agreed to remain seized of the situation by retaining Pakistan on its agenda. It requested the Secretary-General to utilize his good offices and technical assistance, as appropriate, to support the strengthening of democracy, institution building and good governance, and to provide an update on developments to CMAG at its next meeting. CMAG also urged other Commonwealth organizations to provide similar assistance.

Future Options for CMAG

11. CMAG agreed to consider proposals from the Secretary-General on options for future CMAG activity, consistent with its mandate, at its next meeting.

Next Meeting

12. CMAG decided that it would meet next in New York on 25 September 2004 in the wings of the UN General Assembly.

NEWS FROM MEMBERS

AUSTRALIA

Country Correspondent:

Ms Pam Mitchell

THE ATO SIMULATION CENTRE: MAKING PRODUCTS, PROCESSES AND SYSTEMS FOR PEOPLE

The Australian Taxation Office is committed to delivering a taxation system that is easier, cheaper and more personalised for clients. Through the concept of user centered design the ATO is dedicated to improving the user focus in the design of products, business processes and IT systems. one of the major tools used in improving the user focus is the ATO's Simulation Centre.

The role of the Simulation Centre is to bring users into the design process from the earliest concept stages. The Simulation Centre allows user involvement to be easily combined with iterative design. As the design moves through cycles more discussions and simulations can be run to test the concepts. The Simulation Centre is not only about users testing IT systems that have already been designed, it is about capturing the whole user experience for all stages of design. An illustration of this is that we can introduce a user to a new web product and analyse their interaction. During the same session we can also observe subsequent events such as that user then contacting the Call Centre because they require help with that web product.

The Simulation Centre consists of a number of specific rooms that provide different capabilities. Two of these rooms are for detailed testing of any process or system. The simulation rooms are equipped with linked computers and telephones allowing most tax scenarios to be simulated. All the activity in these rooms can be observed and recorded without interrupting the simulation. The recording and observation are handled from a control room. From the control room the simulation rooms can be directly observed through one way mirrors and the simulation can be recorded using remote controlled video cameras. In addition, user interactions with computers can be directly viewed on screens in the control room and also recorded for replay.

The Simulation Centre also includes a discussion room where design workshops can be held. This room is about discovery and invention. This is where we collaborate with the client to understand the design hypothesis and then quickly produce an artifact like a paper prototype. The discussion rooms are also set up for video recording. The combination of discussion rooms and simulation rooms allow users to be involved in all stages and iterations of the design process.

The Simulation Centre can be used for any design process, not just IT systems. For example, it is used for projects involving form design. Clients can be involved in the initial design and simulated use of new forms. In projects like this the key factor is not the specific layout of the Simulation Centre but the fact that there is a process and venue to enable clients being brought into the ATO to participate in designing a better tax system

The Simulation Centre has been in operation since August 2003. In that time it has already had a positive impact on key ATO initiatives that are aimed at delivering a better client experience. With the ATO now embarking on a major program to improve systems and business processes the Simulation Centre will help to ensure that the ATO of tomorrow is an increasingly client focused organisation.

THE AUSTRALIAN TAXATION OFFICE CONTINUES ITS

PROGRESS on MAKING IT EASIER FOR AUSTRALIAN TAXPAYERS TO COMPLY WITH THEIR TAX OBLIGATIONS

The Tax Office's Easier, Cheaper and More Personalised Program is about improving client and staff experiences with the tax system. High level design for the program is now complete and we are moving to the more detailed design phase.

We have realised some significant achievements in the past three months. These include the release of the Business Portal and the selection of major technology and client relationship management products for the program. This technology is based on a combination of systems Accenture has implemented in overseas revenue agencies and include migrating Income Tax, Goods and Services Tax, Excise, and Superannuation systems. If validated in the detailed design phase, the new systems and related business processes will be implemented in the third phase of the program, with most core legacy systems to be retired in the final stages of the program.

The Business Portal

The launch of the Business Portal marks a significant milestone in the program. The gateway to our online services for business, the portal provides business clients with access to a range of transactional and information services such as online activity statement lodgment and the ability to view account details.

Using the Business Portal clients can currently:

- lodge an activity statement and view details of previously lodged activity statements
- view account details including individual postings for fringe benefits tax, income tax accounts, account balances and general interest charge calculations
- request transfers and refunds of credit amounts
- view and update registration details
- use the online access manager to control internal access to information in the portal
- send and receive secure messages about information available on the portal.

We are confident business clients will embrace the portal with the same enthusiasm as tax practitioners have with our award-winning Tax Agent Portal. The portal not only provides benefits to clients, but also to the Tax Office, as we aim to reduce paper processing and phone queries about topics such as refunds and account balances.

Client Relationship Management

The Tax Office finalised a contract for Client Relationship Management (CRM) software with Siebel Systems in March 2004. This work is the first of a number of contracts for software to support the program's aim of improving client experiences. The software will provide case management capability and enable staff in client contact areas to bring together key client information, including history of previous client contact, and the ability to view correspondence from the client and drill down into client details from other Tax Office systems.

Work on integrating the software with our existing systems began in March with a limited roll-out starting in December 2004. This roll-out will include core functionality with progressive improvements over time. While this is initially directed at contact staff it will ultimately have a broader application across the whole organisation.

For more information about the Easier, Cheaper and More Personalised Program visit the Tax Office's website www.ato.gov.au

IDENTITY FRAUD –

AN INTERNATIONAL ISSUE

Identity fraud is a growing problem costing the Australian community more than one billion dollars annually, according to a study by the Securities Industry Research Centre of Asia-Pacific (SIRCA), a not-for-profit financial services research organisation. The study shows that false and stolen identities are used in an escalating range of criminal activity around the globe, including illegal immigration and defrauding of banks and government. Some criminal groups now offer a false identity service where false documentation, which exceeds Australia's 100 point verification system, can be bought for between \$4000 and \$6000.

The Australian Taxation Office is instituting a number of measures, including revised proof of identity process for individual tax file number applications to curb identity fraud. It is working with other government agencies to develop consistency in the approach to non-standard tax file number applications as well as participating in other cross-agency work aimed at combating identity fraud from a whole of government perspective.

The SIRCA report supports a series of broader Commonwealth initiatives including:

- developing proposals for a common set of proof-of-identity documents of higher integrity to be used by government agencies;
- an online document verification service for government agencies, and
- enhanced data matching across government agencies to detect fictitious identities and 'cleanse' registers.

The Australian Taxation Office is part of a group of Commonwealth and State government agencies, academics and financial sector organisations conducting ongoing research into control systems for identity, crime policy reform and the profiling identity fraud and its cost.

CAMEROON

Country Correspondent:

Mr Francis Fiekfu

CHANGES IN CAMEROON'S TAX

ADMINISTRATION AND TAX LAWS

Created by decree n° 2003/165 of 30th June 2003, the Division in charge of Major Enterprises has gone operational at the Department of Taxes in Cameroon. This division that went into effect as from the 1st of April 2004 constitutes 500 (five hundred) major enterprises; each having a turn over of at least one billion. These enterprises all together represent about 80% of the fiscal revenue of Cameroon.

The creation of this division is aimed at improving the quality of services rendered to taxpayers through a single fiscal interlocutor. As such, the structure is modernised such that taxes and duties are paid by bank transfer and subscription made by the electronic method of tele-declaration. As a tributary to this reform, the twelve provincial Tax Centres were further divided into 19 principal tax centres for better management of the tax base. The various officials who shall effectively start working in these Principal Centres as from the 1st of July 2004 have already been appointed.

On the subject of tax laws, personal income taxes have a new image. Instituted by the 2003 Finance Bill which went into force as from 1st January 2004, the main innovations introduced are:

- The replacement of the previous system of assessment characterised by assessment according to the category of revenue and the application of the progressive surtax on the net global income, with a single tax on the global income at a progressive rate, and
- The suppression of assessment per household.

This reform is aimed at the simplification of tax procedure, calculation and lightening of the tax burden for the low income earners.

CYPRUS

Country Correspondent:

Ms Athina Stephanou

As from the year 2004, Income Tax returns for individuals and companies for the Income Tax Year 2003 can be submitted to the Department electronically through a special network. We are now receiving electronically, Income Tax returns, for individuals and hope by June/July we will be able to receive electronically Income Tax returns for companies. This service is offered to registered taxpayers and is called Taxisnet. Web address
<http://taxisnet.mof.gov.cy>

Aims of Taxisnet

- Quality, immediate and efficient service
- Simplified procedures
- 24-hour service
 - Improved and quality information to the taxpayer regarding tax matters
 - Use of modern technology for the submission of Income Tax Returns.

Advantages of using Taxisnet

- Simple procedures
- Minimum movements
- Saving time and money
- Easy access to all tax forms
 - Automatic help and assistance in completing tax returns correctly.
 - The taxpayer knows immediately that his/her tax return was received and can follow up its process through a special network
 - Full security and protection of information.

As nearly every home in Cyprus has a computer, we believe that most people will make use of the new service that will, lead to improved compliance, reduction of administrative costs, reduction of costs to private sector,

reduction of errors on income tax returns but most of all it will improve the relationship between the taxpayers and the Department.

INDIA

Country Correspondent:

Mr S K Chowdhari

ADMINISTRATIVE CHANGES

- Mr. P. L. Singh, Chairman of the Central Board of Direct Taxes – the apex body for Direct Taxes Policy and Administration in India - retired on 30th April, 2004.

POLICY CHANGES

- Policy changes in the Direct Taxes are brought about by way of Finance Bill which is presented before the Parliament every year, on 28th February. This year, however, due to announcement of General Elections, the Finance Bill did not bring about any major changes in the Direct Taxes policy of the country. It is expected that policy initiatives would be announced after the new Government is formed. The proposed amendments would then be presented before the Parliament in the Monsoon Session.

In the meanwhile, some important changes have been brought about in the Direct Taxes policy by way of Direct Tax Laws (Amendment) Act, 2003. The major changes introduced by the DTLA, 2003 are summarized below:-

- The interest-rates, both for the interest payable and chargeable by the Department have been brought down.
- The rates of tax collected at source (TCS) have also been brought down.
- Incentive has been given to the wood-based handicraft industries.

Other major changes are expected only when the Monsoon Session of the Parliament starts in the month of June / July 2004

Fiscal benefits available to new projects in the power sector should be extended up to 2012 instead of 2006, and also be available to cases of take-over from State Electricity Boards.

- The regime of listed equities acquired on or after March 1, 2003 being exempt from long-term capital gains tax should be extended for a further period of three years.
- To make Indian shipping internationally competitive, a tonnage tax scheme, with notional income at a fixed rate, on the basis of net registered tonnage should be considered.
- Capital gains on acquisition of agricultural land should be exempt from tax. There should also be no deduction of tax at source on the interest earned on enhanced compensation for acquisition of such land.
- If outsourced services are ancillary and auxiliary in nature and adequate remuneration is paid to the Indian call centre, then there shall be no tax on such foreign company as has outsourced its activity to India.
- Need to revisit the issues of revising the standard deduction for salaried class, the tax treatment of family pension of war widows, and the present exemption limit.

KENYA

Country Correspondent:

Ms Alice A Owuor

A. Revenue Performance

Kenya Revenue Authority (KRA) collected in the third quarter ending March 2004 a total of Kshs.56,602 Million against a target of Kshs.52,974 Million. This represents a performance rate of 106.8% and an impressive growth of 16.2% compared to the corresponding period in 2002/03.

The table below shows a summary of revenue performance of each department during the quarter:-

<u>Department</u>	<u>Actual Collection</u> <u>(Kshs. Million)</u>	<u>Target</u> <u>(Kshs. Million)</u>	<u>Performance</u>
Customs & Excise	28,490	27,603	103.2%
Income Tax	17,891	16,168	110.7%
VAT	9,638	8,790	109.6%
Road Transport	583	413	141.2%
TOTAL	56,602	52,974	106.8%

All revenue departments registered significant growth in revenue collection during the quarter as compared to a similar period in 2002/03 which is attributable to the aggressive implementation of a number of administrative measures as articulated in KRA's three year Corporate Plan (2003/04 – 2005/06) whose strategic themes for reform are:

- Enhanced revenue collection through enhanced quality service to stakeholders
 - Modernization of internal processes and
 - Revitalization of the workforce.

Some of the specific measures implemented during the quarter include:-

- **Public transport sector** – Major reforms in the transport sector have been implemented from January 2004 to streamline this industry and this has brought positive results with the Road Transport department's revenue increasing by 61.5% and the Income Tax Department also having an increase in its registered taxpayers.
- **Excise Duty Domestic** – The implementation of strict regulations with respect to exports of cigarettes resulted in a 37.5% increase in cigarette revenues. Similarly, control measures implemented with respect to Wines & Spirits also resulted in substantial increase in revenue.
- The recently introduced **Withholding VAT System** netted an additional 2100 taxpayers who contributed a total of Kshs.1.2 billion.
- KRA's debt and **arrears management programmes** raised a total of kshs.5.2 billion which represents 9.3% of the total revenue collection and an increase in arrears collection by 6.8%.
- **Audit** – The continued implementation of effective audit programmes realised a total of kshs.2 billion in additional revenue.
- **Taxpayer Recruitment** – An Additional 6,000 taxpayers were recruited and revenue totalling KShs.1.2 billion collected as a result. There was a general improved compliance from suppliers to government agencies who Voluntarily registered to enable them conduct business.
- **Tax Compliance Certificate** – This was introduced on a pilot basis in the capital city of Nairobi for all suppliers of KRA.

Tenders are now awarded only to bidders who are tax compliant.

This initiative which resulted in additional revenue, will be rolled out to all government institutions during the current quarter.

- **Revitalisation of Human Resource** – a number of Conversion Courses have been conducted to increase the number of technical staff in Income Tax, VAT and Road Transport Departments.

Similarly, courses in Computer Aided Audits, computer database for intelligence reporting, X-ray Scanner, Drug Detector Dog Management, Post Importation Audit and Valuation Courses were also undertaken within the quarter.

M. Second Corporate Plan Launched

KRA launched its Second Corporate Plan (2003/2004 – 2005/2006) at a colourful ceremony presided over by the Minister of Finance. The Plan which defines KRA's path into the future is intended to evolve it into a modern, integrated and efficient organisation. The Second Corporate Plan, building on lessons drawn from implementing the first plan, has four perspectives, namely:-

1. Enhanced Revenue Collection
2. Quality Service
3. Modernization of Internal Processes and
4. Revitalisation of Human Resources.

These four form the foundation on which KRA's Balanced Score Card has been developed and introduced as a performance management Tool.

N. Re-Structuring

The KRA Board of Directors at its special meeting of 17th October, 2003 approved the proposal to restructure the Authority and authorised the implementation of its Phase 1.

Some of the features of this re-structuring include:-

- Creation of a new office of Commissioner of Support Services reporting to the Commissioner General and whose responsibility is to co-ordinate support services such as Legal, research & Corporate Planning etc.
- Creation of a new office of Company Secretary responsible for all Board matters, Corporate & Public Affairs, Administration and Procurement.
- Merging the Investigations Department and Revenue protection Services into one single Investigation & Enforcement Department.
 - Upgrading the Large Taxpayers Office (LTO) into a full department reporting to the Commissioner General and headed by a Senior Deputy Commissioner.
- Introduction of Regional Offices headed by regional heads who report to the Commissioner General and who are responsible for Co-ordination of all KRA operations within their regions.
- Harmonization of titles and grades in the Authority by adopting the term "Commissioner" as opposed to other titles. For example, the head of Human Resources becomes Senior Deputy Commissioner – Human Resources.

The objective of this re-structuring is to:-

- Streamline and improve KRA's structure, operations and effectiveness.
 - Promote integration
 - Clarify roles and responsibilities
 - Harmonize titles and
- Create opportunities for staff development and mobility.

Promotions

Due to the re-structuring, there has been major staff upgrading through promotions to senior positions.

Tax Returns and Act on the Web

The Income Tax Department has now hosted its Act and Tax Return on the web and the latter can be downloaded and printed ready for filling and filing. However, we still have not developed on-line filing at the moment, but this is certainly the way forward.

Visit to KRA

KRA was privileged to receive a delegation from Malawi Revenue Authority who visited us to learn about our operations and structure.

They were led by none other than their Commissioner General.

MALTA

Country Correspondent:

Mr Randolph Aquilina

Amendments to the Income Tax Acts

Various amendments have been made to the Income Tax Acts, following from the measures announced for the 2004 budget by the Government. The more important changes are outlined below.

Capital Gains

The exemption from capital gains tax on inherited property, which had been introduced in 1996, has now been removed. As from 25 November 2003, any immovable property inherited after 1992 is now subject to CGT in the same way as any other sale of acquired property.

As from 25 November 2003, when immovable property that had been inherited before 25 November 1992 is transferred, a full and final payment of 7% on the selling price is to be made as capital gains tax.

However, if a promise of sale has been signed prior to 25 November, 2003 (budget date) the full and final CGT payment shall be 5% instead of 7%. It is to be noted that the provision regarding payment of 5% final CGT is also applicable to property inherited after 25 November 1992, as long as the promise of sale was signed prior to 25 November, 2003.

In all other cases, capital gains tax remains as it is today, that is, a 7% tax is paid provisionally and the full gain must be declared in the tax return and taxed with the other sources of income at the normal rates, with the 7% being then available as a credit.

In the near future, a substantial amendment to the Capital Gains Rules (subsidiary legislation) will also be published.

Enabling provision regarding the implementation of EU directives or regulations

Malta has joined the European Union as from 1 May, 2004, together with nine other countries, including Cyprus, another CATA country.

A new enabling provision has been added to the Income Tax Acts, empowering the Minister responsible for finance to make regulations to facilitate the implementation of and giving effect to any EU directive or regulation relating to income tax.

SOLOMON ISLANDS **Country Correspondent:**

Mr. John Hayes

Solomon Islands Tax Administration Grows Stronger With Regional Assistance.

The 990 Pacific islands that make up the Solomon Islands are widely regarded by many who have visited them as the "Happy Isles". The former British protectorate gained independence in 1978 and its 450,000 people from Melanesian and Polynesian cultural and ethnic backgrounds were sharing in the benefits of a strong and growing economy. Domestic revenue collected by the Inland Revenue Division had grown steadily to SBD \$ 233 Million by the end of 1998 and the future looked bright.

Unfortunately, in 1999 peace and growing prosperity gave way to a four-year period of ethnic tension that saw revenue collected by Inland Revenue plummet to SBD \$133 Million. The Customs Division experienced a similar decline in revenue and the effect on the community was devastating. As Government struggled to find money to meet its payroll or essential services, the quality of life for all Solomon Islanders declined to levels not seen for many years.

The Inland Revenue Division collects the major share of Government revenue from Income Tax, Goods Tax and Sales Tax and the pressure on its 70 staff to sustain if not increase revenue during the tension was considerable. Unfortunately, their task was made far more difficult as they became a focal point for militants. Many mistakenly believed that the Division held Government revenue in its offices and attempted armed robberies during work hours were a regular occurrence. Little, if any security or protection was given by the local police force and by the end of 2002, all office vehicles had been stolen. Staff who ventured out of the office on inspections or audits had their lives threatened for simply trying to do their job and many found it impossible to carry out their work because of the intimidation. Many simply decided that it was safer to stay home in their village.

The continued decline in revenue during 2003 was at crisis point when Solomon Island's Pacific neighbors agreed to provide assistance to help Government restore law and order. This assistance came in the form of the Regional Assistance Mission to Solomon Islands, RAMSI as it is commonly known. RAMSI has improved many aspects of life in the community in the short time since it's arrival in July 2003 because of its initial focuses on the restoration of law and order and budgetary stabilization. The personal well being and safety for all Solomon Islanders is now looking much brighter and with staff of the Inland Revenue Division now able to continue their role as the major revenue collector for Government, the economic prospects for many have improved.

The changes in Inland Revenue have been overseen by the three members of the Budget Stabilisation Team from RAMSI working in close co-operation with the Commissioner, Mr. Alfred Pohe. Two Revenue Advisers were placed into in-line positions as Co-Managers of Taxpayer Compliance and Taxpayer Investigation and the third took on the role of Legal Advisor. Elizabeth Aumana, the Manager of Taxpayer Compliance before the arrival of RAMSI, now shares her position with an expatriate advisor and echoed the sentiments of many staff in saying that she can, at last, sleep at night and wake in the morning looking forward to the prospect of coming to work.

The Commissioner and his staff, including the RAMSI advisors, have dramatically turned around the downward trend in revenue collection. Collections in the first three months of 2004 are nearly 100% greater than the same period last year and there is every expectation that domestic revenue collections for the full 2004 year will be greater than the peak collections of 1998.

When RAMSI first arrived, Government was in a particularly difficult financial position and the re-generation of revenue was a major priority for Inland Revenue. This was initially achieved by focusing on the Large Business sector of the community and ensuring that their outstanding tax obligations were brought up to date. This will continue to be a focus for the Division.

The multitude of small and medium business that proliferated throughout the capital, Honiara and the outlying Provinces contributed only a relatively small amount of revenue by comparison to the larger businesses but there were many compliance issues that still needed to be addressed. It was immediately evident that many business people were simply unaware of their tax obligations and that a great deal of work was necessary to promote Voluntary Compliance. People from many parts of the business community had simply opted out of the tax system during the tension for a number of varied reasons and the task of dealing with them individually was daunting. With this challenge in mind, a Taxation Amnesty and a Public Education Seminar Program was introduced as a means of achieving a broad business community impact for the cause of promoting voluntary compliance.

The Taxation Amnesty guaranteed business people that they would not be charged penalties or prosecuted for failing to pay tax during the period of the ethnic tension, provided they lodged their returns and disclosed errors in existing returns by the end of 2003. The Public Education Seminar Program supported the Amnesty but went further by providing information on the taxation system, promoting the tax obligations of every person in business and explaining that tax contributions are necessary for the recovery of Solomon Islands.

A number of seminars were held in Honiara and the major business centers in the outlying provinces. The response to the program was outstanding but while the initial goals were succeeded it became obvious that the general level of knowledge of taxes throughout the small and medium sector of the business community was unacceptably low. There is a pressing need to continue the Public Education Program for some years and it will therefore be a major part of ongoing business of the Division.

The belief that many people would come back into the tax system if they understood their obligations and were given an opportunity to do so, without the fear of fine or prosecution, has been vindicated. Revenue collections in the period of the Amnesty and the Seminar Program were nearly 60% greater than the same period in 2002 and were an important part of the RAMSI advisers stabilizing Government Budget. These increased tax collections are expected to flow through to 2004 and into 2005 as people pay their arrears under approved extensions, free of penalty.

An equally important part of public education program has been the inclusion of information about the Commissioner's powers of enforcement and the 2004 Enforcement Plan. The efforts of the Division to generate additional revenue through voluntarily compliance may well have been less effective had the Division not been able to convince business people that those who choose not to comply voluntarily will be forced to do so. Investigation activities under the guidance of the RAMSI Advisor commenced at the same time as the amnesty and seminars to ensure that the threat of enforcement action was real. Several high profile traders were the first to be selected for investigation and they were required to repay significant amounts of tax that had been evaded over the past three years.

The number of investigation activities has increased in 2004 with an emphasis on high wealth individuals and cash activities and will continue to grow as a necessary support function to voluntary compliance. In addition, two further enforcement projects are now under way which are major priorities for 2004. The first will focus on Taxpayer Registration / Lodgment. Business registration in the small medium sector is estimated to be well below 50% of what it should be. Data held in the Division on the taxpayer population has not been updated since before the tension and the turnover of businesses operators has been such that current data is inadequate and outdated. The second major focus is Old Debt Recovery. Much of the old debt is unrecoverable and much is based on default assessments so that it is difficult to accurately quantify the amount realistically due to Government. The project will identify debt that can be recovered and take appropriate legal action to ensure that repayment plans are in place. The two projects will not only enhance revenue collections but will also provide a better foundation for development of a better tax system in the years ahead.

An integral part of all the changes and initiatives in the Inland Revenue Division has been the commitment of RAMSI advisers to develop the capabilities of National staff. The over-riding goal is to transfer the skills of the experienced RAMSI advisors to Solomon Island staff and to build their capacity so that they can effectively manage their own taxation system. Formal training courses in tax law and business accounting skills have been developed and are being presented to all staff. Additional formal training courses will be developed in the coming year and some senior staff have been nominated for overseas training. On the job training is an important link to the formal training and regular assistance with routine daily work and decision making is ongoing. These initiatives have long term outcomes but many staff are already taking a greater pride in their work and look to their own and their country's future with a much greater optimism than they would have during the tension.

SRI LANKA

Country Correspondent:

Ms D G P W Gunatilaka The Government in its Budget Speech for the year 2004, made in November 2003, announced the following proposals regarding taxation.

1. Changes to the Inland Revenue Act No. 38 of 2000.
2. Changes to the Value Added Tax Act No. 14 of 2002.
3. Introduction of following new taxes.
 - i. Economic Service Charge.

(ii) Cellular Mobile Telephone Subscriber's Levy.

(1) Changes to the Inland Revenue Act No. 38 of 2000

(i) Personal Income Tax (effective from 01.04.2004)

- The tax free allowance for individuals increased to Rs. 300,000/- from Rs. 240,000.
- The tax slabs are also to be broadened as follows.

Taxable Income	Rate	Taxable Income	Rate
Existing (Rs.)		Proposed (Rs.)	
First 240,000	- Nil	First 300,000	Nil
Next 180,000	- 10%	Next 240,000	10%
Next 180,000	- 20%	Next 240,000	20%
Balance	30%	Balance	30%

- The tax slabs for terminal benefits paid under uniform basis have been expanded so that the first Rs.3.5 million will be free of tax.

Existing	Proposed		
On the first Rs.1,000,000	0%	On the first Rs.3,500,000	0%
On the next Rs.500,000	5%	On the next Rs.500,000	5%
On the next Rs.500,000	10%	On the next Rs.500,000	10%
Balance	15%	Balance	15%

- The present exemption limit of Rs.9,000 per month or Rs.108,000 per year for withholding tax on interest income per deposit applies to the interest income from all deposits in any individual bank or financial institution made by a person or a corporate entity (effective from 01.01.2004).

The threshold on withholding tax has been raised to Rs.25,000 per month or Rs.300,000 per year in aggregate from all deposits of individuals whose main source of income is interest (effective from 01.01.2004).

- Withholding tax to be levied at the rate of 10% on any annuity or royalty paid by any person or partnership in excess of Rs.50,000 in any month or Rs.500,000 in any year and a 5% withholding tax on any management fee or similar charge which is set off against the final liability to tax by the recipient (effective from 01.01.2004).
- An up front tax of 10% will be imposed on the divisible profits and other income of all partnerships. This tax can be set off against the proportionate individual tax liability of each partner up to the maximum of the tax payable with no carrying forward provision.
- The loss can be set off against the current year's total statutory income of the business only up to a maximum of 35% of the income.

- With the exception of international and multilateral organizations, other income (excluding donations and grants) of institutions approved under section 8(a) of the Inland Revenue Act, in excess of Rs.200 million is liable to tax at 10% with effect from 1 April 2004. Dividends and interest earned by such institution are liable to the withholding tax.
- The following changes in the tax laws and procedures will be introduced for simplification of procedures and the rationalization of expenses and allowances for the determination of taxable income.
 - (i) Introduction of economic depreciation rates

IT equipments and accessories, including	
Software	25%
Vehicles and furniture	20%
Plant & Machinery	12½%
Intangible Assets (other than goodwill)	10%
Bridges, railways, reservoirs, electricity or water distribution lines and toll roads	6 ½%
Buildings	6 ½%

- (ii) The restriction on deduction of management fees will be removed.
 - (ii) 10% withholding tax is charged by the employer on remuneration received by chairmen, board of directors or non-executives directors, which is not included in the payroll for PAYE purposes.
 - (iii) Benefits provided by the employer to employees have been valued for tax purposes as follows.
- | | |
|--|----------------------|
| Private use of motor car, jeep
or Van – | Rs.7500 per
month |
| Private use of a motor cycle - | Rs.2000 per
month |

(2) Changes to the Value Added Tax Act No. 14 of 2002

Value Added Tax was introduced effective from 01.08.2002 with two tier rate system (rates being 20% and 10%).

Effective from 01.01.2004, a single unified VAT rate of 15% has been introduced in order to avoid complication caused due to two tier system.

(3) Introduction of New Taxes

- (i) Economic Service Charge (ESC)
 - Any entity carrying on any trade, business, profession or vocation with a turnover exceeding Rs.30 million or value of total assets exceeding of Rs.10 million and which has been in commercial operation for more than 2 years, is liable to Economic Service Charge (ESC) effective from 01.04.2004.

- The rate is 1% of the total assets or the turnover whichever is less, (by taking the value based on the previous year) with a minimum limit of Rs.100,000 and a maximum limit of Rs.2,000,000.
- ESC paid can be set off against the income tax payable of the same year of assessment but no provision has been made for carry forward or refunds.

(ii) Cellular Mobile Telephone Subscriber's Levy

- A levy of 21/2% to be charged on the value of supply of services or future services from every person using a cellular mobile telephone for each year commencing on or after 01.01.2004.
- The levy is to be collected by the mobile telephone operators on monthly basis.

UNITED KINGDOM

Country Correspondent:

Ms Jas Sahni

MERGER OF UK REVENUE

DEPARTMENTS

The Chairman of the Board of Inland Revenue, Sir Nicholas Montagu retired on 19 March 2004 after a distinguished career in public service. Ms Ann Chant will succeed Sir Nicholas Montagu on a provisional basis.

At the same time, the United Kingdom Government announced plans to merge the Inland Revenue with Her Majesty's Customs and Excise, the department currently responsible for the administration of indirect taxes. The Chancellor, Gordon Brown, announced on 17 March 2004 that he would advertise for an Executive Chairman to run the new department who, pending legislation, will be appointed to both departments. He also announced plans to transfer some work on policy formulation currently performed by the Inland Revenue to the Treasury.

The revenue Departments together employ around 100,000 people – around a fifth of the civil service – handle more than £325bn of tax paid per year. Between them, their staff deals with most people and businesses in the UK.

Double Taxation Convention: France

A comprehensive Double Taxation Convention between the UK and France was signed in London on 28 January 2004 by Dawn Primarolo MP, Paymaster General, and His Excellency M. Gérard Errera, the French Ambassador.

The text of the new Convention can be accessed on the Internet at www.inlandrevenue.gov.uk/pdfs/uk/france_dtconvention.pdf. The text will in due course be laid as a Schedule to a Draft Order in Council for consideration by the House of Commons. The Convention will enter into force once both countries have completed their legal procedures.

Cash-Flow Boost for Small and Medium-Sized Businesses

Increases in the thresholds for small and medium-sized enterprises (SMEs) which mean a £400 million boost to smaller businesses came into force on 30 January 2004.

The increases, which double the amount of investment eligible for 40 per cent first-year capital allowances, will provide a cash flow increase for smaller businesses of almost £400 million over the next 3 years. Businesses falling under the revised small business threshold will also be eligible for the 100 per cent first-year capital allowance for spending on information and communication technology up until 31 March 2004.

SMEs can claim 40% first-year allowances (FYAs) on their spending on plant and machinery. Small

businesses can claim 100% FYAs on their spending on information and technology equipment between 1 April 2000 and 31 March 2004. The Companies Act 1985 sets out the qualifications for small and medium-sized companies for audit purposes and these qualifications also apply in determining whether a business is a SME or a small enterprise for the purposes of 40% FYAs for plant and machinery, and 100% FYAs for ICT spending respectively. For capital allowances purposes, the qualifications apply both to companies and to unincorporated businesses.

Capital allowances allow the costs of capital assets to be written off against a business's taxable profits. They take the place of depreciation charged in the commercial accounts which is not allowed for tax. The main rates of allowances for expenditure on plant and machinery are:

- 25 per cent a year on the reducing balance basis for general spending on plant and machinery;
- 6 per cent a year on the reducing balance basis for plant and machinery with an expected economic life of at least 25 years.

FYAs is the name given to specially increased rates of allowances. FYAs allow a greater proportion of the cost of an investment to qualify for tax relief against a business's profits of the period during which the investment is made. They bring forward the tax relief available for capital spending.

Online Filing Breaks Through the Million Mark

More than one million Self Assessment tax returns have been received electronically this year. The UK Inland Revenue online tax return service is at the forefront of electronic services in Government and has been developed in close consultation with users.

1,079,298 tax returns were received electronically by midnight on 31 January 2004, including tax returns sent over the Internet (689,264) and via the Electronic Lodgement Service (390,034).

For the Internet service taxpayers and their agents can use the electronic tax return provided by the Inland Revenue or one from a commercial software supplier. The electronic return does all the calculations for taxpayers so that they know instantly and with certainty how much to pay at 31 January or how much is owed to them by the Revenue. It also checks for and advises the taxpayer of errors before it is submitted. Users automatically get an online message to say their return has been received. They can choose to receive an e-mail confirmation as well.

Budget - 17 March 2004

The Chancellor Gordon Brown announced the 2004 Budget on 17 March 2004.

The Government's economic objective is to build a strong economy and a fair society, with opportunity and security for all. Budget 2004 sets out how the Government is working to achieve this goal, building on a platform of economic stability and sustained growth to ensure that Britain can continue to succeed in a competitive global economy. Key announcements in Budget 2004 include:

- an updated economic forecast, which shows the economy continues to grow steadily and that the public finances remain sound;
- plans for public service efficiency savings of 2.5 per cent a year up to 2007-08;
- £8.5 billion extra investment in education in the UK over the next three years;
- proposals to boost productivity and growth in the economy, through a New Deal for skills, and a ten-year framework for investing in the UK's science and innovation base;
- a £100 pension payment to households with someone aged over 70, to help with council tax bills, and confirmation of plans which will radically simplify the taxation of pensions;
- a package of measures to extend the support and help provided to people on incapacity benefit and to lone parents who want to return to employment, and the introduction of a new National Minimum Wage for 16 and 17 year olds;
- proposals for further reforms to planning and development to improve the supply of housing;
- further action to promote fairness in the tax system, tackle tax fraud and avoidance, and protect revenues; and

- an increase, in line with inflation, of duty rates for sulphur-free fuels from 1 September 2004, and a freeze in vehicle excise duty.

Income tax allowances	2003-04 (£)	2004-05 (£)
Personal allowance	4,615	4,745
Personal allowance for people aged 65-74	6,610	6,830
Personal allowance for people aged 75 and over	6,720	6,950
Income limit for age-related allowances	18,300	18,900
Married couple's allowance for people aged under 75 and born before 6 April 1935	5,565	5,725
Married couple's allowance –aged 75 or more	5,635	5,795
Minimum amount of married couple's allowance	2,150	2,210
Blind person's allowance	1,510	1,560
Capital gains tax annual exempt amount:		
Individuals etc:	7,900	8,200
Most trustees:	3,950	4,100
Inheritance tax threshold	255,000	263,000
Pension schemes earnings cap	99,000	102,000
Income tax: taxable bands	2003-04 (£)	2004-05 (£)
Starting rate: 10 per cent	0-1,960	0-2,020
Basic rate: 22 per cent	1,961-30,500	2,021-31,400
Higher rate: 40 per cent	Over 30,500	Over 31,400
Corporation tax profits	2003-04 (£)	2004-05 (£)
Starting rate: zero	0-10,000	0-10,000
Marginal relief	10,001-50,000	10,001-50,000
Small companies' rate:	50,001-300,000	50,001-300,000
19 per cent	300,001-1,500,000	300,001-1,500,000
Main rate: 30 per cent	1,500,001 or	1,500,001

more or more
The main rate of corporation tax for 2004–05 will
be 30 per cent.

National Insurance contributions rates and thresholds

Item	2003-04	2004-05
Lower earnings limit, primary Class 1	£77 per week	£79 per week
Upper earnings limit, primary Class 1	£595 per week	£610 per week
Primary threshold	£89 per week	£91 per week
Secondary threshold	£89 per week	£91 per week
Employees' primary Class 1 rate	11% of £89.01 £ 595 per week 1% above £595	11% of £91.01 to £610 per week 1% above £610 per week
Employees' contracted-out rebate	1.6 per cent	1.6 per cent