

# **HEAD FORUM REPORT**

## **INTRODUCTION**

The Head Forum of the 38<sup>th</sup> SGATAR Meeting was held at the Shangri-La Hotel, Guangzhou, China on 5 November 2008. Present at the Meeting were the Heads of Delegation from participating member jurisdictions. The Meeting was chaired by Mr. Xiao Jie, the Commissioner of the State Administration of Taxation of the People's Republic of China.

## **REPORT FROM THE 37<sup>TH</sup> SGATAR SECRETARIAT**

The Philippines outlined the activities of the 37<sup>th</sup> SGATAR Secretariat over the past year, including completion of discussion on the rules for SGATAR membership and admission of new SGATAR Members, Macau SAR and Papua New Guinea.

The Chairperson thanked the Philippines for their valuable work as the SGATAR Secretariat.

## **UPDATES FROM THE 10<sup>TH</sup> SGATAR WORKING LEVEL MEETING**

Malaysia first presented an amended report of the 10<sup>th</sup> SGATAR Working Level Meeting, reflecting SGATAR membership based on tax jurisdictions. The meeting was held in Kuching, Malaysia from 26 to 29 August 2008 and focused on issues related to transfer pricing. 13 participating SGATAR Members each

made a brief presentation on the recent developments of its jurisdiction. An expert from the Organisation for Economic Cooperation and Development (OECD) also presented a session on the subject.

The Head Forum commended Malaysia for its successful hosting of the meeting.

## **HOSTING OF THE 11<sup>TH</sup> AND 12<sup>TH</sup> SGATAR WORKING LEVEL MEETINGS**

It was noted that Vietnam and Korea had declared in the 37<sup>th</sup> Head Forum Meeting their willingness to host the 11<sup>th</sup> and 12<sup>th</sup> Working Level Meetings in 2009 and 2010 respectively. Vietnam and Korea confirmed their offers positively. The Chairperson thanked both Members' offers and endorsed Vietnam and Korea as hosts for the 11<sup>th</sup> and 12<sup>th</sup> SGATAR Working Level Meetings in 2009 and 2010 respectively.

## **UPDATES FROM THE 6<sup>TH</sup> SGATAR JOINT TRAINING PROGRAM**

Vietnam made a video presentation on the 6<sup>th</sup> Joint Training Program, which was held in Vietnam between 22 and 26 September 2008. The theme of the program was "Tax Administration of Large Taxpayers". There was a good level of attendance by SGATAR Members and instructors came from OECD, Australia, Hong Kong SAR, Japan and Thailand. Participants found the program both practical and useful.

Vietnam thanked all members for their contributions to the success of the 6<sup>th</sup>

Joint Training Program.

## **HOSTING OF THE 7<sup>TH</sup> AND 8<sup>TH</sup> SGATAR JOINT TRAINING PROGRAM**

The Chairperson noted that at the 37<sup>th</sup> Head Forum Meeting, it was agreed that Japan would host the 7<sup>th</sup> SGATAR Joint Training Program. Japan confirmed its willingness to host the program in Tokyo, tentatively in late September or early October 2009.

The Chairperson thanked Japan for confirming the offer and invited interested members to host the 8<sup>th</sup> SGATAR Joint Training Program. He noted that 8 SGATAR Members had yet to host the program. In response, the Philippines indicated its interest in hosting the program. The offer was unanimously accepted by the Head Forum.

## **REPORT OF THE 4<sup>TH</sup> MEETING OF HEADS OF SGATAR TRAINING INSTITUTIONS**

China reported the progress of the 4<sup>th</sup> Meeting of Heads of SGATAR Training Institutions which was held concurrently with the 38<sup>th</sup> SGATAR Meeting. The theme of this year's meeting was "The Construction of a Lifelong Training System". Other issues discussed at the meeting included enhancing the quality of trainers; co-operation and exchange on training of trainers; provision of experts by SGATAR Members for training in special tax items; and effective promotion of the work of Virtual Secretariat. In regard to the last item, it was noted that Australia had served as the Virtual Secretariat for more than 3 years. As such, New Zealand offered to take over the role the following year.

## **HOSTING OF THE 39<sup>TH</sup> AND 40<sup>TH</sup> SGATAR MEETINGS**

### **HOSTING OF THE 5<sup>TH</sup> MEETING OF HEADS OF SGATAR TRAINING INSTITUTIONS**

The Chairperson noted that the 37<sup>th</sup> Head Forum had previously endorsed Indonesia as host of the 39<sup>th</sup> SGATAR Meeting in 2009. Indonesia confirmed that it was honored and pleased to host the meeting and welcomed members to Indonesia in 2009. Indonesia was congratulated and thanked for the offer.

With regard to the 40<sup>th</sup> SGATAR Meeting, the Chairperson inquired whether Japan, being the next member on the historical order for hosting SGATAR Meetings, could confirm its hosting of the 40<sup>th</sup> SGATAR Meeting. Japan replied in the affirmative. The Chairperson thanked Japan for the confirmation of the offer.

Japan further offered to host the 5<sup>th</sup> Meeting of Heads of SGATAR Training Institutions in conjunction with 40<sup>th</sup> SGATAR Meeting. The Chairperson noted and thanked the offer of Japan.

## **BRIEFING ON DEVELOPMENTS AT THE OECD FORUM ON TAX ADMINISTRATION IN CAPE TOWN**

Australia presented a report on the 4<sup>th</sup> OECD Forum on Tax Administration (FTA) Meeting held in January 2008 in Cape Town, South Africa. The FTA Meeting focused on three related issues, namely global trends in business and the implications for revenue bodies; recommendations of a study into the role of tax intermediaries including a recommendation on building an enhanced relationship with large business which was launched at the Seoul meeting in

2006, as well as concrete ways to assist African Tax Administrations in developing their capacity to raise national revenues.

Further work was to be undertaken by FTA in key areas including promotion of tax risks as good Corporate Governance and a follow up study on the activities of investment banks. The report on both topics would be presented in the coming FTA to be held in Mexico in 2009. He finished the report by quoting from the communiqué, a principle shared at SGATAR, that “as business becomes more global revenue bodies need to improve international co-operation and increasingly share experiences so we can develop a shared understanding of the impact of globalization in tax systems”.

## **HEADS OF DELEGATIONS REPORT ON LATEST DEVELOPMENTS IN RESPECTIVE JURISDICTIONS**

The Chairperson proceeded to invite the Heads of Delegations to take turn to deliver a brief presentation about the latest developments in their respective tax jurisdictions. Below is a summary of the discussion.

Australia reported that it had implemented its final phase of the Change Program aiming at improving its information technology infrastructure. The program covered the replacement of its accounting, processing and registration systems with an integrated core processing system and new systems for superannuation. It also reported a reduction of the rate of growth of collectable debt from 6% to 1%. Overall, Australia had a relative good year fiscally last year but expected a more difficult one coming up amid the global economic downturn.

China informed that it had implemented a new tax legislation on 1 January

2008, ending the different tax rates applicable to domestic and foreign enterprises adopted for the past 28 years, and paving the way for fair competition by all enterprises in China. China also introduced tax reforms to increase income of the public and their consumption. The measures, to name a few, included raising deduction under individual income tax by 25%, suspending individual income tax on interest on savings and lowering the stamp duty rate on securities trading.

Hong Kong SAR introduced its electronic services including e-stamping, e-business registration, e-filing and e-payment. To promote greater usage, Hong Kong SAR allowed password as an alternative means for the purposes of authentication and signing. Individual taxpayers could, through a one-stop access portal, not only view their account profile, notify changes in personal and business particulars, file tax returns as well as check the status of tax return, assessment and payment, they were also provided with enhanced services like e-alert. Hong Kong SAR also reported on its consultation on liberalizing the Exchange of Information provisions in double taxation agreements (DTAs) with a view to concluding more DTAs with its major trading partners and SGATAR members.

Indonesia reported its tax reform as well as enhancement of human resource sector. With regard to the latter, it introduced a code of conduct to ensure standard behavior of tax officers in dealing with taxpayers.

Japan shared its successful experience in reducing tax delinquency, using measures such as making use of different types of media to encourage payment of tax on time; and publicity on payment of tax by direct debit from taxpayers' bank accounts to curb the occurrence of new delinquencies. To reduce existing delinquencies, it gave priority to deal with consumption tax delinquencies and large-scale, malicious delinquencies. As regards

small-amount tax delinquencies, a Tax Collections Call Center was established in 2002 to demand payment and it proved to be a success.

Korea reported that the tools, known as Voice of Customer (VOC) and six sigma, it used to advance its goal of achieving global excellence in tax administration. VOC involved analysis of complaints to develop customized tax services whereas six sigma was about using the tool to ensure accuracy of tax assessments so that taxpayers were taxed at the right amounts.

Macau SAR reported that e-services legislation was passed this year to pave the way for launching e-filing in the coming year. It also launched an e-training program to be enrolled by all tax officers.

Malaysia reported that it had shortened the time for mailing tax refund through staff training and system enhancement. It also publicized the use of e-filing as a means to obtaining quicker tax refund. Separately, its recent budget announcement proposed a few major changes to its tax legislations. Amongst them were implementation of the transfer pricing regulations, advance pricing arrangement and reduction in income tax rate for non-residents.

New Zealand informed that as a result of continuous years of budget surplus, it was in good fiscal shape. However, the global economic downturn would suggest a more difficult year ahead. New Zealand also reported that it was in the midst of negotiating a number of double taxation agreements.

Papua New Guinea reported that it had expanded its taxpayer education efforts, particularly in the small and medium market segment, to increase voluntary compliance. Through this it had identified many businesses operating in some of these remote areas that had not been meeting their tax

obligation to register, lodge and pay. It also informed that it would restructure its organization in the near future to improve its internal efficiency and effectiveness by moving from functional to a more process approach.

The Philippines reported that there would be a reduction on income tax collections as tax exemption was granted to minimum wage earners and the ordinary corporate income tax rate would decrease from 35% to 30% in 2009. It briefed the Meeting on its nationwide roll-out of computerized services, the initiative of using IT programs for linkages with other government agencies and its proposed transfer pricing regulations.

Singapore reported that as part of its simplification of tax system, estate duty had been abolished due to the small amount of duty collected. It informed that a record high of e-filing by 87% individual taxpayer was achieved through measures including pre-filing data; establishment of e-services centres to assist e-filing by taxpayers and focusing audit on returns of non-e-filers. It hoped to achieve a 95% target for e-filing in the coming years.

Chinese Taipei reported that a tax reform committee was set up in 2008 for tax reform. The reform focused on 20 issues, primarily on aspects of the tax system and tax administration. Three proposed amendments to the related laws had been drafted, including the abolishment of the income tax relief on the salaries earned by military personnel and teachers in certain schools; increasing the amounts of deductions for individual income tax; and resetting the tax rate and exemption amount for estate and gift tax.

Thailand reported on its various tax measures to revive and stimulate the economy which was the biggest tax stimulus package in the past ten years. The major tax incentives were the increase in personal income tax exemption threshold and decrease of specific business tax rate for trading of real



properties.

Vietnam reported that it obtained good results in standardization of procedures and internal processes to improve services as well as to encourage compliance of taxpayers. It faced challenge on implementation of the new law on personal income tax which taxed on all income earners instead of high-income earners. It extended its thanks to SGATAR Members which had shared with it experience and information.

## **CLOSING**

The Chairperson thanked all participants for their valuable contributions and formally closed the Head Forum Meeting.