

53rd SGATAR 2024 SEOUL KOREA



Meeting Summary The 2nd Expanded SGATAR Taskforce Meeting Seoul, Korea 28-30 May 2024

Summary of the Meeting

The 2nd expanded SGATAR Taskforce meeting was held at the President Hotel during 28-30 May 2024 and 26 representatives from 12 SGATAR member jurisdictions and 4 international organizations attended the meeting.

The key points from the 2nd expanded SGATAR Taskforce Meeting 2023/2024 are summarized as follows:

1. Heads of Delegation and Working Group Meeting Agenda

The agenda for the Heads of Delegation (HOD) and Working Group (WG) meetings was determined as follows upon agreement among the members.

Heads of Delegation Forum Agenda

- a. Effective mechanism for dispute prevention and resolution
- b. Digital transformation of tax administration
- c. Tax reform updates across jurisdictions

Working Group Meeting Agenda

- a. Transfer pricing of financial transactions
- b. Improving the quality of CRS data
- c. Combating tax evasion and tax crimes (initially, “Tackling the professional enablers of tax crime”)

2. The Chairs and Rapporteurs

The presiding jurisdictions (Chairs) and coordinators (Rapporteurs) for the WG meetings were decided as follows after prior discussions with the respective jurisdictions. The meeting approved the details below.

WG	Topics	Chairs	Rapporteurs
WG1	Transfer Pricing of Financial Transactions	Korea	New Zealand
WG2	Improving the quality of CRS data	Malaysia	Singapore
WG3	Combating tax evasion and tax crimes	Japan	Australia

3. Discussions on HOD Forum Topics for the 53rd SGATAR Annual Meeting

Heads of Delegation 1 (HOD1): Effective mechanism for dispute prevention and resolution

Korea proposed the detailed topics on effective measures to prevent and tackle tax disputes to enhance tax certainty and create a stable tax administration environment.

Meeting Comments

The meeting discussed whether all the suggested sub-topics should be covered in the presentation. It was clarified and agreed that the sub-topic suggestions are merely examples provided as a reference, and members can freely select any sub-topics they wish to share during the presentation.

Heads of Delegation 2 (HOD2): Digital transformation of tax administration

Korea addressed the current situation where advancements in technology have led to higher expectations from taxpayers and where digital transformation is presenting new policy challenges. Discussion topics such as the current status of digitalization of each tax administration, innovative cases of using emerging technologies such as AI and big data, and challenges in ensuring security in digital tax administration were proposed.

Meeting Comments

The meeting concurred to focus on sharing relevant best practices during the HOD meeting rather than discussing working-level issues, since the HOD Forum is a high-level session. Especially when sharing practices of leveraging AI in tax administration, it was agreed to discuss practices not limited to taxpayer service, but to cover tax administration practices in general, including tax audits and risk management.

Heads of Delegation 3 (HOD3): Tax reform updates across jurisdictions

To carry out the mission of SGATAR, which is 'to provide a platform to enhance

performance by promoting collaboration and communication', Korea suggested detailed discussion topics for sharing experiences of members.

Meeting Comments

The meeting agreed to include tax administration trends and human resources management measures in evolving tax environment as sub-topics for the discussion. However, the meeting concurred that the sub-topic on virtual assets is premature to discuss at this year's meeting due to the members' lack of experience in this area and proposed that it could be postponed for next year's agenda or discussed in the SGATAR capacity building program.

4. Discussions on WG Meeting Topics for the 53rd SGATAR Annual Meeting

Working Group 1 (WG1): Transfer pricing of financial transactions

In the context of the revision to the Transfer Pricing Guidance on Financial Transactions under the OECD BEPS Project Action 4 and 8-10 in 2020, Korea discussed the need to share the status of domestic legislation on transfer pricing amendments to address tax avoidance and double taxation in financial transactions.

Meeting Comments

The meeting agreed that the scope of financial transactions is rather broad and could be narrowed to specific transactions. Additionally, as most members are currently not implementing or have limited experience with BEPS Action 4 and Thin Capitalization regimes, it was agreed to make the related sub-topic optional for presentation, inviting only those jurisdictions that wish to share their experience to do so.

Working Group 2 (WG2) : Improving the quality of CRS data

Korea conveyed the need to identify account holders for the effective use of exchanged information, given the ever-increasing volume of data exchanged among jurisdictions participating in the Automatic Exchange of Information. Accordingly, Korea proposed to discuss efforts required by both sending and receiving jurisdictions to improve the quality of exchanged data and to identify account holders.

Meeting Comments

The meeting concurred that this topic is of interest to many member jurisdictions and is timely. Suggestions to include tips and advice on facilitating peer reviews in presentations were brought up, as some members are undergoing or planning to undergo peer reviews by the OECD.

Working Group 3 (WG3) : Combating tax evasion and tax crimes

Korea proposed discussing measures to identify, sanction, and prevent professional enablers of tax evasion, given the emergence of enterprises facilitating new and sophisticated tax evasion methods and the rise of professional enablers to meet the demand of taxpayers.

Meeting Comments

The majority of members indicated their lack of legislation on professional enablers of tax evasion and their limited experience on the topic, as they are focusing more on the act of tax evasion itself rather than the professional enablers. Therefore, it was approved to broaden the scope of sub-topics for discussion to include not only the professional enablers but also issued related to tackling and preventing tax evasion.

5. Presentation from International Organizations

Representatives from international organizations provided a brief overview of the following topics that will be presented during the Annual Meeting and received feedback from the members to incorporate into their presentations.

Organizations	Topics
ADB	A comparative analysis of tax administration in Asia and the Pacific 7 th edition
Global Forum	Main outcomes and implications of the global forum capacity building programs
IBFD	Future of innovative technologies and data privacy and protection in tax administration
OECD	Global survey on tax technology initiatives

6. SGATAR Capacity Building Program

The ADB shared the schedule for the annual capacity building programs and requested to update the SGATAR Capacity Building Plan. Consequently, the SGATAR Task Force determined to conduct an interest survey among the members and update the SGATAR Capacity Building Plan based on the survey results. The updated Plan will be reported to the HOD during the Annual Meeting.

Dates	Topics	Partners
24 – 28 June 2024	SGATAR Training Program	NTS Korea
24 June 2024	TADAT 10 th Year Anniversary Conference	IMF, TADAT Secretariat
3 – 5 July 2024	Beneficial Ownership Workshop	ADB, Global Forum
26 -29 August 2024	Transfer pricing	LHDN Malaysia, TRD Thailand
3-6 September 2024	ISORA Workshop	ADB, OECD

November 2024 (TBD)	Revenue Statistics Workshop	ADB, OECD
November 2024 (TBD)	BEPS Regional Consultation	ADB, OECD, PITAA, CATA
March 2025 (TBD)	Tax Debt Management	ADB, NTA Japan
June 2025 (TBD)	Digital Economy Taxation Network (DET) Conference	ADB, Vienna University
Q2-3 2025 (TBD)	Launch of the Brand New TADAT Field Guide	ADB, IMF, TADAT Secretariat

Actions Required From Member Jurisdictions

a. Members are requested to refer to the background for topic selection and the sub-topics for the HOD and WG meetings attached as Appendix 2, and send their comments on them by August 2, 2024, if they have any.

b. A provisional allocation of presentations for each HOD topic is proposed as Appendix 3. Members wishing to make changes are required to respond by August 2, 2024.

[Appendix 1] List of Participants

No.	Participants	Jurisdictions / Organizations
1	Mr. Roungrit ROUNGNATE	Thailand
2	Ms. Phaknaphat RAKSAROD	Thailand
3	Mr. JaeHyung PARK	Republic of Korea
4	Mr. Woojung CHANG	Republic of Korea
5	Ms. JaEun KU	Republic of Korea
6	Ms. Gabrielle JACKSON	Australia
7	Ms. HAN Xi	People's Republic of China
8	Mr. Hidetaka OTA	Japan
9	Ms. Hiromi ISHIMARU	Japan
10	Mr. Athitnakone PHIMMASONE	Lao PDR
11	Mr. Thinnakone BOULOM	Lao PDR
12	Ms. Sou Wa, CHEONG	Macao SAR
13	Ms. Ka Wai, HO	Macao SAR
14	Mr. AHMAD ZAFIR, MOHD LOTFY	Malaysia
15	Ms. Munkhtuul LKHAGVASUREN	Mongolia
16	Mr. Bayaraa DASHTSEREN	Mongolia
17	Mr. Benjamin AW CHUN HOW	Singapore
18	Ms. Sadelena ISMAN	Singapore
19	Mr. Hsu-Fong LIU	Chinese Taipei
20	Ms. Jo-Yi CHANG	Chinese Taipei
21	Mr. Nguyen Van HUNG	Vietnam
22	Ms. Thanh Hoai NGUYEN	Vietnam
23	Ms. Kozue ICHIYAMA	ADB
24	Mr. Raynald VIAL	Global Forum
25	Ms. Rachel SAW	IBFD
26	Mr. Oliver PETZOLD	OECD(Online)

[Appendix 2] The background for topic selection and the sub-topics for the HOD and WG meetings

HOD 1: Effective Mechanism for Dispute Prevention and Resolution

The effective and efficient dispute prevention and resolution can lead to enhancing tax certainty that has been emphasized by G20 as one of priorities. There are several reasons to consider this topic.

First, tax uncertainty has been increasing in recent years. The COVID-19 pandemic accelerated digitalization by years, causing rapid business transformation of companies worldwide. Such new business environments have made taxpayers and tax authorities exposed to increased tax uncertainty, as well as more frequent and complex tax disputes. In addition, specific discussion topics are identified as follows: the introduction of new international tax rules such as Pillars 1 and 2 is making the tax landscape even more complex and a potential source of future disputes.

Second, the potential for conflicts with taxpayers is increasing. While tax administrations have focused on policy and administrative measures to support businesses to combat the pandemic over the past few years, there is now a growing need to bolster efforts aimed at raising tax revenue in response to global fiscal deficits. It should be noted, however, that strengthening tax collection by tax administrations may trigger disputes with taxpayers.

The prevention and resolution of tax disputes is a topic of enduring interest within the international community. Particularly, the OECD Forum on Tax Administration (FTA) addresses the status of tax dispute prevention and resolution in each country through its annual publication, the Tax Administration Series. The following aspects are emphasized:

- Avoiding unnecessary legal proceedings through resolving disputes at the administration level;
- Leveraging digital technologies to improve efficiency of dispute resolution;
- Providing sufficient information such as guidance and advice to taxpayers, which is the key element in dispute prevention;
- International cooperation to prevent and resolve cross-border tax disputes.

Considering the above, specific discussion topics are identified as follows: i) Strategies to Prevent Tax Disputes and ii) Challenges in Resolving Tax Disputes

Effectively. Each jurisdiction may select one or two topics. However, please note these sub-topics are provided merely as examples, and you are freely invited to cover any additional points you wish to share.

1. Strategies to Prevent Tax Disputes

Tax disputes can be resource intensive processes, so preventing them through various methods would be an effective way.

- a. What are the key measures or mechanisms to preventing disputes, and what has been the performance of these measures or mechanisms? (e.g. providing information or guide to taxpayers, ADR (Alternative Disputes Resolution) mechanisms, etc.)
- b. What is the current status of utilization of key tools for preventing international tax disputes, such as APA (Advance Pricing Agreement), and ICAP (International Compliance Assurance Programme)?

2. Challenges in Resolving Tax Disputes Effectively

When disputes arise, it is important to resolve them efficiently and effectively to reduce the burden on both taxpayers and tax authorities.

- a. What tax dispute resolution mechanisms are in place in your jurisdiction (administrative and judicial)?
- b. What efforts are being made to improve effectiveness of dispute resolution? (e.g., procedural improvements, use of IT technologies such as integrated database, staff training, etc.)?
- c. Are adequate resources being secured to effectively resolve international disputes, for example organization, budget, expertise, as provided in G20/OECD BEPS Action 14?
- d. What is the current status of utilization of key tools for resolving international tax disputes, such as MAP (Mutual Agreement Procedure) and Arbitration?

HOD 2: Digital Transformation of Tax Administration

Digital transformation of tax administration has been widely discussed by international organizations. There are several grounds for paying attention to this topic.

Firstly, the rapid advancement in technologies such as AI and big data presents unprecedented opportunities for enhancing efficiency, transparency, and taxpayer services. However, these advancements also introduce new challenges that require careful consideration and strategic planning, acknowledging the swift adaptations made by the private sector and the necessity for tax administrations to actively respond to meet taxpayers' heightened expectations by transforming taxpayer services.

The rapid digital transformation presents new policy challenges, alongside varying degrees of implementation and technological disparities across jurisdictions. This diversity in the stages of digital infrastructure, methods of leveraging AI and addressing related challenges necessitates a platform for international dialogue. By examining successful cases and the extent of digitalization, the discussion aims to highlight both achievements and obstacles, providing a comprehensive understanding of the global landscape. This exchange of information is crucial for identifying scalable solutions and fostering innovation in tax administration.

Lastly, as tax administrations increasingly rely on digital technologies, ensuring the security of these systems becomes a crucial concern. The risks associated with cyber-attacks, data breaches, and the stability of digital infrastructure pose significant threats to the integrity of tax administration. Addressing these security challenges through development, operation, and maintenance measures is essential for building trust and reliability in digital tax system. We aim to establish robust frameworks for data protection and management, ultimately safeguarding taxpayer information and enhancing the overall security of digital tax administration.

Sharing each jurisdiction's current status and example cases will be beneficial in meeting the heightened level of taxpayers' expectation in a rapidly changing environment. Additionally, discussions on creating a more convenient tax-paying environment will contribute to promoting voluntary tax compliance and building trust in tax authorities in the long haul.

Considering the above, specific discussion topics are identified as follows: Each jurisdiction may select one or two topics. However, please note these sub-topics are provided merely as examples, and you are freely invited to cover any additional points you wish to share.

1. The Current Status of Digitalization in Tax Administration in Your Jurisdictions and Innovation Cases Involving AI and Big data

- a. Extent of digitalization in tax administration and overall plan of its operations
- b. The concept of AI and Big data as recognized in your jurisdiction
- c. Successful innovation cases and potential areas for leveraging AI and Big data in tax administration in general, including tax audits and risk management.

(e.g., automated provision of personalized information to stakeholders, virtual assistants, risk assessment processes, assistance of tax officials in making administrative decisions, recommendations for actions, dispute resolution, etc.)
- d. Challenges in using AI and big data and directions for related initiatives

2. Challenges in Ensuring Security in Digital Tax Administration

- a. Measures to examine the stability of the infrastructure system of tax administration
- b. Measures to provide stable digital services for taxpayer (in preparation for internal factors such as system overload) and ensure data security against internal and external factors such as cybersecurity threats
- c. Whether your jurisdiction has implemented a cloud system for tax administration, and if so, what security issues have been addressed and how these issues are being prevented and resolved
- d. Factors to consider bridging the digital gap

HOD 3: Tax Reform Updates Across Jurisdictions

The mission of SGATAR is to provide a platform to enhance performance by promoting collaboration and communication among members. Since the first meeting held in Manila in 1971, we have shared each member's invaluable experiences and insights at the HOD Meetings. Sharing the trends in tax policy and administration from each jurisdiction holds significant meaning beyond our mission.

Firstly, exchanging tax policy and administration trends, which are rapidly evolving in line with economic globalization and digitalization, enables members to adapt more easily to fast-paced changes and transformations.

Additionally, by openly sharing and learning from tax-related regulations and policies, tax administrations can increase taxpayers' trust in policies and ensure transparency. This can contribute to reducing the tax compliance costs and enhancing the overall efficiency of the tax system.

Key example questions for the discussion are listed below for your reference in preparing presentations. Please feel free to include specific discussion topics of interest to your jurisdiction, even if they are not listed.

1. Reforms and Trends in Tax Policy and Administration

Please include both tax policies and tax administration. You are expected to present the background, details, and outcomes (such as the number of beneficiary taxpayers and the amount of budget utilized) of the various measures.

- a. Tax Policy and Administration Measures to Support Companies and Individuals (backgrounds for implementing measures, implemented measures, outcomes, etc.)
- b. Policies for Efficient Tax Collection or Tax Debt Management

2. Human Resource Management in Evolving Tax Landscape

Please describe the economic and social environments faced by each jurisdiction and share the Human Resource Management strategies to address these challenges.

- a. Current Status
- b. HR Management Measures, Outcomes, and Expected Benefits

WG 1: Transfer Pricing of Financial Transactions

With the acceleration of globalization and the increasing number of multinational enterprises, the financial transactions of these companies are becoming increasingly complex and diversified. Moreover, attempts by companies to transfer profits to low-tax jurisdictions through transfer pricing using the liquidity and substitutability of financial transactions are becoming more acute.

Given this background, the reasons for looking into this topic are as follows:

Firstly, the OECD released the Transfer Pricing Guidance of Financial Transactions, as part of the Base Erosion and Profit Shifting (BEPS) project Action 4 and 8-10, in February 2020. This revision aligns with the understanding that intra-group financial transactions should reflect the conditions made or imposed between the two enterprises in their commercial or financial relations from those which would be made between independent enterprises under the Article 9 of the Model Tax Convention,

Secondly, furthermore, addressing base erosion through financial transactions such as corporate borrowings and interest expenses have been a major ongoing issue in international discussion. Therefore, topics such as Thin Capitalization Regimes and the implementation status of BEPS Action 4 have been selected as specific agenda items.

The issue of profit shifting by multinational enterprises through financial transactions inherently involves multiple countries involved in the transactions, not just the country where the company is domiciled. Therefore, resolving this issue requires not only establishing international standards but also concerted efforts among various countries to comply with and correctly apply these international standards through coordination and cooperation among nations.

Against this backdrop, by discussing member jurisdictions' relevant regulations and sharing examples of guideline application, not only can we ensure fairness in the global tax environment but also contribute to fostering sound capital structures within companies.

Considering the above, specific discussion topics are identified as follows: Each jurisdiction may select one or two topics. However, please note these sub-topics are provided merely as examples, and you are freely invited to cover any additional points you wish to share.

1. Status on Domestic Law Implementation and Best Practices on Transfer Pricing of Financial Transactions

a. Status of domestic law implementation and best practices (investigations, MAP, etc.) related to transfer pricing of intra-group loans

- General considerations (Use of credit ratings, Effect of group membership, Use of MNE group credit rating, etc.)

- Determining arm's length interest rate (CUP, Cost of funds, Credit default swaps, Economic modelling or other methods, etc.)

b. (Optional) Best practices related to transfer pricing of other financial transactions, such as cash pooling, financial guarantees, captive insurance

2. (Optional) Status of Thin Capitalization Regimes

a. Current status and operation of thin capitalization regimes

3. (Optional) Implementation Status of BEPS Action 4

a. Status of implementing BEPS Action 4, obstacles and overcoming strategies during implementation

WG 2: Improving the Quality of CRS Data

With globalization and digitalization, it has become easier for taxpayers to invest using offshore financial institutions. Consequently, investment profits held offshore are not being properly taxed, threatening citizens' trust in the fairness and integrity of the entire tax system. To eradicate the increasingly sophisticated offshore tax evasion and enhance global tax compliance, international cooperation among tax jurisdictions is crucial. A pivotal instrument in this endeavor is the proper and effective implementation of the Automatic Exchange of Information (AEOI).

In this context, a global consensus on the need for a standardized approach emerged, leading to the signing of the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (MCAA) in 2014. In 2022, information on more than 120 million financial accounts was exchanged among 108 jurisdictions. However, the purpose of the automatic exchange of financial account information extends beyond mere data exchange. Only when each tax administration effectively utilizes the exchanged information can the ultimate goal of stamping out offshore tax evasion be achieved.

The primary requirement for enabling tax administration to effectively use the exchanged information is the identification of account holders within the received data. To achieve accurate identification, the reporting jurisdiction should initially collect correct taxpayer data from financial institutions in their jurisdiction, while the receiving jurisdiction should ensure proper data processing and comparison with the domestic taxpayers' database.

The collection of error-free data from financial institutions and proper processing of received data can be achieved by sharing know-how and learning from the experiences of other jurisdictions.

Among the member jurisdictions, some have already implemented the CRS, some have not yet done so, and others are currently in the commitment process. For each implementation stage, examples of key discussion questions are provided below for your reference when preparing a presentation. If there are no specific questions related to your jurisdiction's main interests, feel free to add topics of particular interest.

For member jurisdictions already implementing the CRS, please share your jurisdiction's experiences and insights on the collection and processing of data

1. Collection of Error-free CRS Data

- a. What assistance is available for financial institutions to facilitate the collection of accurate data?
- b. What process is in place to validate the accuracy of data submitted by financial institutions?
- c. What penalties are imposed on financial institutions for submitting faulty data?
- d. What are the obstacles to collecting error-free data?

2. Identification of Account Holders in Received CRS Data

- a. What is the current status of identification of account holders in received data?
- b. What system is in place to identify the account holders in received data?
- c. What obstacles hinder the identification of account holders in received data?
- d. What are the international cooperation methods to address unidentified account holders in received data?

3. For jurisdictions that have not yet adopted the CRS or are in the planning stage, please share your jurisdiction's experiences and insights on the following:

- a. What is the current status of the plan to adopt the CRS?
- b. What are the obstacles to adopting the CRS?
- c. What is the most important international support required for the CRS adoption?

WG 3: Combating tax evasion and tax crimes

Over the last decades, tax authorities around the world have made continuous efforts to prevent and crack down on tax evasion, and achieved the desired results. However, with technological development facilitating anonymous transactions and the emergence of new methods for storing value, there has been an increase in “grey areas” and sophisticated tax crimes.

Advanced tax crimes easily escape tax jurisdictions’ surveillance network aimed at curbing tax evasion. Even when caught, tax offenders are frequently let off the hook, owing to the challenges in enforcing tax evasion penalties under the current law. These circumstances have fueled the demand for finding more “secure” ways to evade taxes.

In addition, because tax evasion often spans multiple jurisdictions, including cross-border asset transfers and undeclared offshore financial accounts, it requires multilateral co-operation to tackle.

Considering all these circumstances, specific discussion topics are identified as follows: Please select two to three topics of interest from your jurisdiction. Sharing valuable case examples for case studies would be most welcome. Additionally, you are invited to freely add particular discussion topics of interest, even if they are not on the example list.

1. Cooperation among jurisdictions and institutions for combating tax evasion and tax crimes
 - a. What are the outcomes of international cooperation in combating tax evasion and tax crimes? (e.g. information gathering, recovery of assets held abroad)
 - b. What cooperation system do you have in your jurisdiction among relevant domestic institutions for addressing tax evasion and tax crimes, and what are its outcomes?
2. Effective strategies for combating tax evasion and tax crimes
 - a. How do member jurisdictions distinguish and establish criteria for tax evasion and tax crimes?
 - b. What are effective investigation techniques and case studies for combating tax crimes?
 - c. What are the means of preventing tax evasion and tax crimes? (particularly in the field of digital technology)

3. (With relevant experience) Sanctioning and Preventing Professional Enabler Activities

- a. What sanctions are imposed on professional enablers by the tax authority or the relevant industry?
- b. Which information is available for the prevention of professional enabler activities?
- c. What are the international cooperation methods to prevent professional enabler activities?

[Appendix 3] Proposed Topics for HOD Forum

Topics	Presenters
Topic 1. Effective Mechanism for Dispute Prevention and Resolution	1) Hong Kong SAR 2) Indonesia 3) Republic of Korea 4) Macao SAR 5) New Zealand 6) The Philippines 7) Chinese Taipei
Topic 2. Digital Transformation of Tax Administration	1) People's Republic of China 2) Japan 3) Malaysia 4) Singapore
Topic 3. Tax Reform Updates Across Jurisdictions (Including Tax support measures)	1) Australia 2) Cambodia 3) Lao PDR 4) Mongolia 5) Papua New Guinea 6) Thailand 7) Vietnam