



CATA

43rd Technical Conference

Maldives
2023

DAILY NEWS BULLETIN

**“There is still work to do,
but we are working on it...
Stay tuned”**

Mr. Eduardo Jimenez



MALDIVES
INLAND REVENUE
AUTHORITY

Day 2 of the Conference

After a productive first day yesterday, the distinguished delegates joined the conference today looking forward to engaging in and deliberating on the captivating sessions arranged for the 2nd day of the 43rd annual CATA Technical Conference. Two of the panel discussions from today were built on the main topic “effective use of exchange of information between jurisdictions”, and the speakers of the sessions that joined us from different countries and different international organizations contributed immensely, sharing their experience, country-wise, on the effective implementation of exchange of information, the Common Reporting Standard and automatic data sharing. Expert speakers of the sessions conveyed in-depth knowledge on how CRS data can be analyzed, highlighting various data

analytic tools and techniques, risk assessment models, and data mining techniques that can be utilized in identifying non-compliant behavior.

The afternoon session focused on the topic “strengthening tax administration through automation”, and the speakers encouraged the participants to join in fruitful dialogue about the establishment of data warehouses and management of such data warehouses.

The discussions held during the conference today proved the delegates’ unwavering and steadfast commitment to working together in a joint effort to discover and construct mechanisms and methodologies that can pave a path for countries to efficiently utilize the raw data exchanged between jurisdictions. The day ended with a heads of delegation meeting held at Burunu Hall.





Mr. Dingani Banda
Commissioner General, Zambia Revenue
Authority, Zambia



Mr. Evarist Martin Mashiba
Commissioner for Tax Investigation,
Tanzania Revenue Authority, Tanzania



EOI to combat non-compliance and ways to improve administrative tax co-operation in the field of VAT

As the generator of some of the most significant levels of government revenue for many countries, high importance should be given to ensuring compliance in the field of Goods and Services Tax (GST) or Value Added Tax (VAT). Accomplishing this, especially when cross-border transactions are involved is highly challenging for many tax administrations, making the exchange of information (EOI) between jurisdictions a vital tool in combatting GST/VAT compliance. This topic was further deliberated in the first session of the second day of the conference, focusing on the subtopic; EOI to combat non-compliance and ways to improve administrative tax cooperation in the field of VAT. The expert speaker of the first session of the day, Mr. Eduardo Jimenez, a policy advisor at the OECD Consumption Taxes Unit shared valuable insights on the OECD perspective of the significance of EOI in the field of VAT. Mr. Jimenez identified that the OECD's efforts in the field of VAT are concentrated on 4 key areas which include engaging in policy dialogue and establishing global standards on VAT, establishing partnerships with regional and international organizations, offering guidance, and conducting multilateral capacity-

building initiatives such as technical workshops, e-learning courses and the production of major publications on VAT, and collaborating with partners to implement country-specific capacity building programs with a particular focus on providing technical assistance regarding VAT and e-commerce.

On this note, Mr. Jimenez conveyed the fruitful outcomes of these initiatives taken by the OECD throughout the years which, has in fact caused evolutionary changes in the field of VAT. In 2015, the final report of Base Erosion and Profit Shifting (BEPS) Action 1 identified some key issues affecting VAT as a consequence of digitalization and an increasingly globalized economy. Followed by this, the International VAT/GST Guidelines was published in 2016, which address the issues affecting international supplies of services and intangibles and provide internationally agreed standards for establishing taxing rights in accordance with the neutrality and destination principle. Mr. Jimenez believes that this led to the successful establishment of a foundation for VAT in an international context. Highlighting the clear evolution, he noted that from this point onwards, the OECD's work

Interesting Tax Fact

Got a beard? Peter the Great, the first emperor of all Russia taxed men for having beards...

focused more on the practical aspects of VAT, such as the publication of “Mechanism for the Effective Collection of VAT/GST” from non-resident online sellers in 2017, “The Role of Digital Platforms in the Collection of VAT/GST” in 2019, and “The Impact of the Growth of the Sharing and Gig Economy on VAT/GST Policy and Administration” in 2021. He also emphasized the usefulness of the regional toolkit which has been developed by the OECD.

Mr. Jimenez then elaborated on the four main mechanisms that exist for mutual cooperation and information exchange which are; regional frameworks, the Multilateral Convention on mutual administrative assistance (MAAC), Tax Information Exchange Agreements (TIEAs), and Articles 26 and 27 of the OECD or UN Model Conventions which will by default be included in all bilateral conventions signed after the year 2000. Special importance was given to the MAAC by stating that it is the most comprehensive instrument available for all forms of Tax Corporations to address tax evasion and avoidance. On this note, Mr. Jimenez recognized the fact that 32 out of the 47 members of CATA are parties to this convention.

He concluded his speech by shedding light on how countries can make use of administrative cooperation and EOI, especially in transactions that transcend jurisdictions, and has shared some practical experiences in using EOI to mitigate non-compliance. One very simple tool which has brought tremendous success in tackling noncompliance is targeted communication with noncompliant taxpayers by obtaining their contact details from various methods of information sharing. In addition, he stated that some jurisdictions spontaneously share information about non-resident businesses registered for VAT, which helps to identify assets and assist in recovery.

The speech from the expert speaker was followed by panel discussions with Mr. Dingani Banda from the Zambia Revenue Authority (ZRA) and Mr. Evarist Martin from the Revenue Authority of Tanzania. Mr. Banda discussed the challenges that the ZRA faces in enhancing administrative tax cooperation in the field of VAT which includes large informal sector and cash-based transactions, non-



reporting and under-declaration of taxes, and sophisticated VAT frauds. He stated that ZRA intended to combat the above challenges through a data-driven institution. They aim to achieve this by transforming ZRA into a data-driven organization by expanding their Bulk Intelligence Data Analytics (BIDA) system. The next phase is to develop the internal system interface by connecting the ZRA system with third parties by interconnecting internal systems. Lastly, they plan to interface and exchange data with stakeholders

Interesting Tax Fact

In Sweden, you are required by law to have your child's name approved by the tax agency before they turn five years old or you'll be fined.

including other nations.

Mr. Banda informed that Zambia currently has 23 Double Tax Agreements (DTAs) and most DTAs have articles that allow for exchange of information (EOI) and mutual assistance in tax matters. He explained that currently Zambia EOI is done under the tax trade facilitation agreement framework and the Johannesburg convention. He further shared that ZRA is also implementing the exchange of information through the country-by-Country-Reporting (CBCR) legislation and issuance of tax residence certificates. He also stated that the ZRA exchanges information for customs purposes which assist in uncovering vices such as international misclassifications, under-valuation, and smuggling.

The second panelist, Mr. Mashiba spoke on tax-related risks which include ordinary non-compliance by taxpayers due to limited knowledge, tax avoidance, and tax evasion. He continued by explaining that performing tax examinations, carrying out tax audits, and conducting tax investigations aid TRA in mitigating the aforementioned risks. He further added that it is important to have pertinent information to address these risks and TRA is currently attempting to exchange information with other authorities to have access to the required data.

Mr. Mashiba also addressed the issue of cross-border non-compliance with VAT obligations. He emphasized on the difficulty in detecting taxable supply made by non-residents within the country especially for taxable electronic services supplied remotely by non-residents. A further non-compliance that requires attention is the failure of non-residents to register for VAT purposes and the tax authority's lack of mechanisms to verify the declarations made by the registered non-residents. He concluded by stating that mis-invoicing or under-invoicing for importation purposes is a cross-border non-compliance that is relatively more problematic for developing countries.



Interesting Tax Fact

Do you know of any civilization that did not implement taxation in some form? The earliest tax records known are from the ancient Sumerian Mesopotamian city (state of Lagash in modern day Iraq), and they recorded their tax in soft clay. The clay was then baked and served as a receipt, or account.

Effective usage of CRS as a part of tax compliance risk management, tax audits, investigations, and other tax compliance activities



In the 5th session of the CATA Technical Conference, speakers engaged in discussions on the processes set up by tax administrations to make efficient usage of data acquired via the Common Reporting Standard. Speakers talked about having in place a proper process of CRS data movement and how the data can be analyzed for identifying tax compliance risks. While experience, expertise and insights are key to analyze the CRS data, it is also vital that tax administrations discover and establish approaches to integrate CRS data into their risk management framework and compliance initiatives and effectively leverage that data to be utilized in tax audits and investigations.

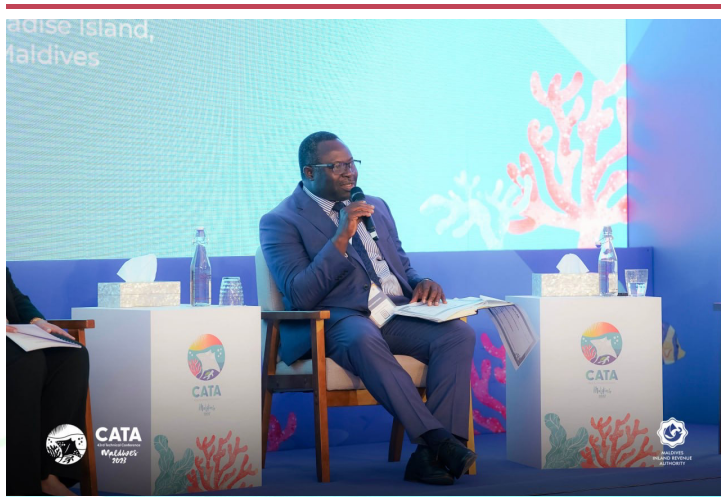
Sharing in-depth knowledge on the topic, Mr. Femi Edgal from the Federal Inland Revenue Service of Nigeria highlighted the different sources of information and said that often, taxpayers report what tax administrators can see domestically and conceal their income derived from foreign sources. He further stressed on the importance of the role of financial institutions in conducting due diligence in order to identify and file the details of reportable high-value accounts to the respective competent authorities. Elaborating the significance of tax compliance, Mr. Edgal said that for developing nations where high net-worth individuals and large corporations account for 70% of tax

revenue, failure to comply poses a huge risk to mobilization of revenue that is sorely required for Government projects and programs that could impact the lives of the populace of such nations, and that the CRS-AEOI data is a major tool that can be utilized to mitigate such non-compliance risk associated with high net-worth individuals and corporations as it enables confirmation of accuracy of tax returns filed by high-risk taxpayers and provides basis for the determination of correct tax liability on incomes from all sources and for payment of taxes on income from offshore sources that are not reported by taxpayers to the tax administrators. He also briefly described Nigeria's process for handling CRS data and said that the CRS-AEOI data from treaty partners is a trigger for comprehensive tax audits and a valuable tool for investigations that lead to criminal proceedings (where such taxpayers have multiple active assets in financial institutions across several jurisdictions).

The first panelist of the session Ms. Azlina Omar from the Inland Revenue Board of Malaysia (IRBM), shared the country experience of Malaysia, starting off with a brief overview of Malaysia's CRS framework and highlighting that the country's first CRS exchange took place in 2018. She also noted that Malaysia has received thus far a remarkable 10.2 million reports under the exchange framework. Ms. Azlina also said

Interesting Tax Fact

Did you know that in Canada, makers of children's breakfast cereal are granted tax-exempt status if their cereals contain 'free toys.' So un-fun cereal gets normally taxed in Canada. Sounds interesting right?



that between the years 2019 and 2021, an approximate of 5000 audits and investigation cases developed from the CRS information gathered by Malaysia, which in turn allowed for a collection of a staggering 78 million euros as taxes and penalties.

HMRC is notably one of the early adopters of CRS and has been receiving information from over 100 countries. Ms. Nicola Mycock from the HM Revenue and Customs, shared in-depth how off-shore data, specifically the CRS data, is analyzed and profiled in the UK. The HMRC has an offshore strategy known as "No safe havens" which is a compliance strategy to ensure offshore tax compliance, helping to achieve overarching

objectives. It also targets dealing with tax avoidance and evasion across customer groups.

Ms. Mycock also mentioned that HMRC uses two main approaches to improve tax compliance: Upstream compliance work to encourage voluntary compliance and prevent non-compliance before it happens, and downstream compliance work to identify and tackle non-compliance after it has happened.

Further to this, Mr. Daniel Ayrcher addressed the stages adopted by HMRC on data matching with automatic exchange data. He identified the three key stages of this to be "automated matching stage, manual matching stage and the manual reviewing of remaining unmatched data". Mr. Ayrcher pressed on the importance of these three stages as it includes the process of acquiring quality data and cleansing the data which allows the data analysts to focus on identifying risks to move forward with tax investigations.

Mr. John Kinyuy of the Ministry of Finance of Cameroon, shared insights into the country's engagement in tax transparency and the fight against tax evasion and fraud, and the information exchange tools used to gather the sources of information. Mr. Kinyuy highlighted that Cameroon, too similar to many other countries collects information both internally and externally for tax administration purposes. He mentioned that the digitalization reforms carried out in the e-filing and e-registration have eased the collection of information through their availability in the database of the various applications. Additionally, Mr. Kinyuy talked about the difficulties in implementing the structural reforms involving several administrations and the absence of digitalization, and the inexistence of a consolidated database in some administrations along with the inexistence of trustworthy addressing systems in most cities and towns of Cameroon.



ESTABLISHING A CENTRALIZED DATA MANAGEMENT SYSTEM FOR BETTER RISK MANAGEMENT



In the 6th session of the Conference, the speakers looked at the importance of Establishing a centralized data management system which includes automatic data sharing and establishing data warehouses which will be fundamental for better risk management. Mr. John S. Biziwick from Malawi Revenue Authority (MRA) moderated this session. Mr. Ravinder Saroop from IMF was the expert speaker who shared insightful information about the topic. Ms. Yvonne Wafula from the Kenya Revenue Authority (KRA), Mr. Kola Okunola from the Federal Inland Revenue Service (FIRS) of Nigeria, and Mr. Sham Wai Kit Nicholas from the Inland Revenue Authority of Singapore (IRAS) shared their experiences relating to topic highlighting the lessons learned and best practices.

In his speech, Mr. Saroop talked about the key principles of a modern revenue administration. He stated that risk-based compliance management is a goal but when it comes to a centralized data management system, automatic data sharing, and establishing a data warehouse, there would be data mining risks. He stated that Compliance Risk Management (CRM) Framework has been immensely helpful for tax administrators who have adopted this approach.

Ms. Wafula focused on the importance of establishing a centralized data management system. She also explained the work undertaken by KRA from 2018 till now for better risk management and highlighted that this includes the development of a centralized repository and taxpayer profiles during this period. Furthermore, she also explained how risk analysis and case selection are done at KRA and shared achievements and insights gained from having a centralized data management system.

Speaking from experience, Mr. Okunola stated that for data management purposes, FIRS has an established data analysis department and mentioned that FIRS has also established a data warehouse to store intelligence data. He also emphasized the importance of capacity building and training staff and noted that weekly workshops on data management are currently being conducted at the FIRS. He also highlighted that in 2022 an additional assessment

Interesting Tax Fact

In 1691, there was a tax in England on the number of windows in a house. The tax was repealed in 1851 when people began to suffer from severe health problems from lack of air.

of 1.1 trillion Naira was recovered as a result of the utilization of centralized data analytics.

Sharing insights into the integrated framework for data security classifications used in IRAS, Singapore, Mr. Nicholas stated that the framework provides a consistent definition and understanding of data security requirements throughout the government. He also stated that by adopting this framework IRAS can implement the appropriate level of technical and process controls to safeguard data management practices and maintain high data quality standards through which the right data can be used to develop effective solutions and initiatives for enhancing tax risk management at the IRAS. Mr. Nicholas remarked that with the right data, IRAS can execute a wide range of strategies to address non-compliance at various stages. This includes working collaboratively with businesses and employers to upstream or automate tax data processes to promote voluntary compliance.

The panelists also shared the legal implications associated with data management processes and encouraged the participants to share other such challenges associated with data management and risk management faced by their respective countries.



Interesting Tax Fact

Interestingly, if you were to blow the whistle on a company for tax evasion in the United States, you may be eligible for an award worth between 15 and 30 percent of the total proceeds that IRS collects from the amount you identified.

PHOTO GALLERY



PHOTO GALLERY



PHOTO GALLERY



PHOTO GALLERY



Editorial Team:
Fathimath Amaanee Khalid
Mariyam Adam
Ahmed Shaheen
Maryam Shaliya
Mariyam Waheed



Maldives Inland Revenue Authority



MIRAmaldives



miramaldives



MIRA Maldives



CATA
43rd Technical Conference
Maldives
2023



cata.mira.gov.mv