



**CATA**

43rd Technical Conference

*Maldives*  
2023

# DAILY NEWS BULLETIN



**“The only way of discovering the limits  
of the possible is to venture  
a little way past them, to the impossible”**



MALDIVES  
INLAND REVENUE  
AUTHORITY



# CATA Conference begins...

The 43rd Annual CATA Technical Conference, the first of its kind held in the Maldives, commenced with a beautiful recitation of the Holy Quran. The anticipation of the participants grew with the deliverance of opening remarks by the Executive Director of CATA Mr. Duncan Onduru, Chairman of CATA Datuk Dr. Mohd Nizom Sairi, President of CATA Mr. Muhammad Nami, and Commissioner General of Taxation of the Maldives Inland Revenue Authority (MIRA) Mr. Fathuhulla Jameel.

As the host of the 43rd CATA Technical Conference, Mr. Fathullah Jameel began his opening remarks by extending the most heartfelt welcome to every delegate, speaker and participant who has travelled to the Maldives from different corners of the globe. The warm welcome was accepted and the hard work of the organizing committee of MIRA was appreciated by the office bearers of CATA, Mr. Onduru, Dr. Sairi, and Mr. Nami. All speakers collectively expressed gratitude towards the CATA Secretariat team and the CATA sub-committee for their unwavering commitment in ensuring the success of this conference.

In line with the theme of the conference "Role of data in tax compliance management and taxation of hospitality

industry", Mr. Duncan Onduru emphasized the significance of the hospitality industry as a revenue generator, and discussed the challenges faced by tax authorities due to the industry's complex and challenging nature, and advised the respective parties to explore the opportunities and challenges that arise within the industry. He further stated that data has become a powerful tool that can revolutionize the ways we approach task compliance management and directed tax authorities to harness the power of data in enhancing the hospitality industry, identifying potential areas of non-compliance and implementing targeted strategies to promote compliance.

Mr. Onduru also spoke about the economic impact of Covid 19 and its everlasting impact on the hospitality industry. He stated that the recovery of the fragile economy has been setback by the supply and demand imbalances, higher than the expected inflation, increasing energy and food prices and more frequent and extreme climate abnormalities which causes political tension and impacts the global trade and capital flows significantly.

The Chairman of CATA, Dr. Mohd Nizom Sairi in his

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advance so much so that previous year's auditing will truly become a thing of the past. According to him, the focus will then shift to analyzing data to nudge taxpayers to get their tax compliance right from the beginning, as opposed to the current system where errors are detected few years down the road.

The President of CATA, Mr. Muhammad Nami in his opening remarks explained and elaborated the five key strategic objectives of the CATA Strategic Plan 2022-2025. These objectives involve focusing on issues around digitalization and digital transformation, innovative compliance approaches and organizational reforms. Crosscutting themes of the Strategic Plan such as environment and gender related tax issues were also addressed in his speech. He also mentioned that several events to discuss some of the issues around strategic objectives have been arranged and others are being planned to take place in the course of the year.

In his speech, Mr. Fathuhulla Jameel highlighted the challenges in taxation in one of the most prominently evolving sectors of the economy, which is the tourism and hospitality sector. He has also called attention to the challenges faced due to the rapid integration of digital economies, giving light to the borderless nature of digital platforms and how it has facilitated aggressive tax planning strategies, posing concerns about the appropriate taxation of profits generated across jurisdictions. In order to overcome these challenges, the imperativeness of engaging in collaborative solutions developed by the international tax community was stressed, particularly the work around the two pillar solution initiated by the OECD.

speech stated that the theme for this year's conference is a reminder of what the future holds in terms of reengineering our respective tax administrations. He emphasized the ever-increasing role of data management for the effective management of the whole tax administration chain by saying:

"In today's age, data is considered the new oil. It is indeed a valuable resource but just like oil, without the process of refinery it cannot be used. And so raw data too, is of no use on its own. Therefore, data needs to be broken down, dissected, analyzed, understood, and put to use in order for it to have any value."

According to Dr. Sairi, tax administrators safe keep such valuable data to the extent that the delivery of key economic stimulus packages have been assigned to tax authorities of some countries, especially during the Covid 19 pandemic. If this valuable data is effectively managed, he believes that the tax administrations will

To conclude his remarks, Mr. Fathuhulla Jameel captured perfectly, the spirit of the 43rd Annual CATA Technical Conference:

*"As we embark on this collective journey, I am reminded of the profound words of Arthur C. Clarke.*

*"The only way of discovering the limits of the possible is to venture a little way past them, to the impossible".*

*These words perfectly capture the spirit of this conference, where we strive to learn and go beyond what is imaginable and embrace the possibilities that lie ahead."*

After fruitful dialogue regarding the theme and issues that surrounds it, the opening remarks were concluded with an introductory video of the Maldives Tax system.



# KEY NOTE ADDRESS

BY ASMA SHAFEEU,  
DEPUTY COMMISSIONER GENERAL OF TAXATION



Chairman of CATA Datuk Dr Mohamed Nizom Sairi, Vice Chairman, Mr. John Swerdlow, Commissioner General of Taxation, Executive Director of CATA, Mr. Duncan Onduru, Esteemed delegates;

Assalaam Alaikum and a very good morning!

As the keynote speaker of this conference, I feel tremendously fortunate and delighted to be here on stage. My journey in the field of taxation commenced 12 years ago with the inception of tax administration in Maldives. And over these past 12 years, I have witnessed the evolution of tax administration in Maldives firsthand. From the early days of laying groundwork for our tax system to navigating the constantly evolving challenges in the tax arena, I have been driven by a deep sense of purpose and commitment to excellence. Each step of this journey has been an opportunity to contribute to the development and improvement of our tax journey.

During the initial ten years of tax implementation in Maldives, the primary focus of the Maldives Inland Revenue Authority (MIRA) was centered on ensuring the effective and efficient application of our domestic tax laws. It was also focused on educating our taxpayers, and on developing a compliance-friendly tax system. In more recent years, we are gearing to

move on from an education focus to a compliance focus and this requires oversight and auditing of cross border transactions of MNCs. And one of the major challenges for MIRA on this front is the lack of comprehensive data for effective taxpayer profiling. Without access to sufficient and accurate information about taxpayers, tax authorities encounter difficulties in understanding and assessing their compliance behaviour. Identification of high-risk people or companies, the detection of potential tax evasion and the effective allocation of resources for enforcement purposes are all made more difficult in the absence of solid taxpayer profiles.


As such, this year we are gathered under this immensely pertinent and demanding theme, "Role of Data in Tax Compliance Management and Taxation of Hospitality Industry". According to the latest estimates, 328.7 million terabytes of data are produced every day. And recent estimates suggest that 90 percent of the global data available today has been generated within the past two years. And it has been forecasted that this number will expand twice as quickly as consumer data sphere, presenting both an opportunity and a challenge for tax authorities worldwide.

In the age of digital transformation and connectivity, where data is often referred to as the "new oil", it is imperative that we explore the significance of data and utilize it in tax compliance management.

In the past, tax authorities have prioritized the collection of data pertaining to past transactions. However, there is now a shift in tax organizations towards utilizing this data to uncover insights, identify trends, and anticipate the behavior of taxpayers.

We are at the forefront of a data revolution that will unquestionably transform tax compliance management. Data analytics, artificial intelligence and machine learning hold immense potential to streamline processes, enhance risk assessment and detect tax evasion with previously unobtainable accuracy. A new era for tax administration has begun as a result of the accessibility to enormous volumes of data and the quick breakthroughs in technology. We now have strong procedures





and tools at our disposal to gather, examine and use data to ensure efficient tax compliance. It is within this context that we gather here today, to look into the transformative power of data and its application in managing tax compliance.

Figures published by OECD show that enforcing compliance is difficult for tax authorities all around the world. The estimated tax revenue losses stemming from non-compliance and tax evasion surpass hundreds of billion dollars annually. This figure emphasizes the magnitude of the challenge at hand and the pressing need for workable solutions. Adopting data driven tactics can be a game changing strategy to mitigate the financial impact caused by non-compliance and tax evasion. In addition to the tax compliance management, the panel discussions will also touch upon the taxation of multinationals in the hospitality sector; which has presented distinctive challenges and opportunities for tax administrations worldwide.

I must highlight that our discussions today extend beyond theoretical issues. It is necessary to address the very real issue of effectively taxing the hospitality industry. This industry has experienced exponential growth over the recent years and because of its dynamic character, it presents difficulties for tax authorities in terms of ensuring fairness and compliance.

Studies show that an estimated 500 billion in corporate tax revenue is lost globally each year due to profit shifting and aggressive planning strategies employed by Multinationals. By leveraging data, tax administrations can gain an in-depth understanding of the industry's operations, identify potential tax gaps and devise targeted strategies to enhance compliance.

But our responsibility doesn't stop at improving tax compliance or optimizing revenue collection. As tax administrators, we have a profound role to play in shaping a sustainable future. And this brings us to the next topic which will be discussed in the last panel discussion of the conference which is taxes and environment. I consider this a timely conversation for us to engage in, given the current economic climate and the urgency of the environmental sustainability.

In order to promote sustainable activities and shape environmental policies, taxation is a critical tool. Environmental taxation often in the form of carbon taxes, green taxes or taxes on pollutants, serves as an economic instrument to internalize the external costs associated with environmental degradation.

Governments can encourage companies and individuals to adopt cleaner technology, reduce emissions and conserve natural resources by levying taxes on activities that produce pollution or contribute to climate change. As such engaging in dialogue for this topic is of utmost importance.

Before I conclude, let me also highlight the role of international tax organizations and platforms like these that play an instrumental role in bringing together tax authorities and providing opportunities to interact and assist each other. The progress Maldives has made in the international tax arena is largely the support from our development partners which I would like to acknowledge. A noteworthy collaboration is our partnership with the tax inspectors without borders for developing the international tax audits of MIRA. The assistance we received from this collaboration gave us access to expertise that we would not otherwise have otherwise received and gave our staff the opportunity to be trained by leading experts in the field of transfer pricing and international taxation. When we wrapped up the first phase of this mission, the audits involved in the projects assessed an additional tax amount of 3.8 million dollars, of which we have collected over 1.3 million dollars. And this itself denotes the impact collaboration and partnership can have. Therefore, I urge all jurisdictions at the forefront of technological advancements and early adopters of tax transparency to extend their doors and offer support and guidance to countries in need.

As I conclude, I would invite you all to deliberate on how can we make the most of data analytics and technologies available to us to improve tax compliance while also fostering fairness, transparency and efficiency of tax structures.

I hope that this conference is not just a platform for discussion, but also a lead for action. It is important to remember that our ultimate goal is not only to enhance our understanding but also translate this knowledge into policies and practices that make tax compliance easier and more efficient, promote fair taxation and contribute to the development of our economies.

Finally, I'd like to extend a heartfelt welcome to all the delegates who have travelled from far and near, to join this conference. I hope your stay here is enjoyable and you get to explore the serenity and beauty we are surrounded by. Thank you for your attention and I wish you all a very productive week ahead.





## Remarks by the Chief Guest

The chief guest of the opening ceremony, Minister of State for Finance Mr. Ismail Ali Manik commenced the opening address by welcoming the esteemed members and guests of the 43rd Annual CATA Technical Conference.

In his opening address, he highlighted the importance and relevancy of this year's theme "Role of data in tax compliance management and taxations of hospital industry" due to the fact that 20% of the GDP of Maldives is generated through the hospitality industry. On this note, he assured that promoting sustainable tourism development is taken into consideration while developing fiscal policies that ensures economic growth. He stated that Maldives has started to explore the concept of behavioral taxes to support this transition and the recent introduction of the plastic bag fee is a testament to it.

Mr. Manik also acknowledged how the digital revolution has fundamentally transformed the way tax administrations operate, and how the advent of technology and availability of vast amounts of data have revolutionized tax compliance. He also highlighted on the pivotal role of data in tax compliance management within the hospitality industry, and explained that

the effective utilization of data can provide tax administrations with invaluable insights that enables them to better understand the sector's dynamics, identify potential risks, and implement targeted strategies to promote compliance.

Mr. Manik noted the importance of data driven insights in developing tailored outreach programs, providing targeted guidance and offering education resources to taxpayers. Such an approach will also enhance taxpayer awareness, simplify tax compliance procedures, and promote the culture of voluntary compliance within the taxpayer community. He assured the contribution of such approaches will also be significant in domestic revenue mobilization, especially for small island nations such as Maldives where taxes are an important and stable source of government revenue.

In his speech, he also expressed the importance of the presence of international corporations in the Maldives, particularly in the tourism sector in addressing tax related illicit financial flows, tax avoidance and tax evasion. Off-road tax evasion being a serious problem for all jurisdictions, Mr. Manik emphasized the significance of Automatic Exchange of Information to mitigate such risks that exist within tax regimes. He stated that even though we have started receiving information through country by country reporting, numerous challenges remain to be addressed, including lack of expertise and technical know-how. On this note, Mr. Manik urged CATA to take lead in establishing a more inclusive tax corporation process that will build a platform where member countries can raise their voices collectively regarding the impact of global tax policies. To conclude, Mr. Manik appreciated the diversity of the conference that encompassed various dimensions of data utilization and data analytics in risk assessment, information exchange and international cooperation. He assured that the invaluable contributions and insights gained from this conference will undoubtedly contribute to shaping the future of tax administration, not only in the Maldives but across the Commonwealth.



# INTER-AGENCY COOPERATION TO REDUCE NON-COMPLIANCE



The main topic of the first session of the first day of conference is "Information sharing for effective tax administration". This topic is divided into three core discussion areas: inter-agency cooperation to reduce non-compliance, importance of assessing financial information and importance of third-party data: public and private sector information.

In the modern world, where various valuable information is collected and held in various government agencies, strong inter-agency relationships would significantly enhance the efforts of the tax administration in mitigating non-compliance. For this reason, many countries are seeking ways to enhance inter-agency cooperation to instill a culture of whole-of-government approach to prevent non-compliance and secure government revenue.

The expert speaker of session, Mr Bruce William Paynter shed light on the importance of "big data" and data sharing, highlighting the characteristics of big data as volume, value, velocity, variety and veracity. Mr Bruce described volume of data as the amount of data retrieved, gathered and stored, and the velocity of data as the speed at which data is created, consumed and discarded. He then explained how the veracity of data constitutes big data depending on the reliability of data and the assurance that the data is reliable. Mr Bruce also said that in implementing data analytics programs which maximize business values, tax administrators must focus on minimizing the downside risks such as increasing technology costs, staff costs and cyber risks.

*"Keeping up with client expectations dictates that we will have to keep on investing in technology on a much more frequent basis."*



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Republic of Maldives



Mr. Bruce also shed light on the Australian Transactions Reporting and Analysis Center, AUSTRACK which undertakes the normal functions of a financial intelligence unit (FIU) and governs the AML, counterterrorism and know your client legislation in Australia make sure that financial institutions are meeting their obligations around client onboarding. All Australian dollar transactions made globally must also be reported to AUSTRACK. The ATO currently has 5 years' worth of AUSTRACK data matched to tax identifier stored in their data warehouse. ATO officers have direct log on rights to logon into the AUSTRACK data and access any financial information held by AUSTRACK in addition to the bulk data that is exchanged with the ATO and this allows the ATO to do thorough data analytics processes. Mr Bruce also highlighted the importance of the support from senior executives and lawmakers and the government in order to proceed and accomplish the intended goals of programs such as AUSTRACK.

*"It's no use having a Ferrari if you can't drive it. So having the best technology stuck in the world is great but if you don't have the people in your organization who hold the right qualifications to be able to do the work you need, then it's a bit pointless."*



Ms. Yannick Cote from the Canada Revenue Agency (CRA) shared critical aspects of Canada's success towards the country's compliance level through building relationships and investing in technology. It is to be noted that CRA has strong relationships with governments, departments, financial institutions, law enforcement, external stakeholders, partner organizations and the people of Canada, including immigrants. Speaking of investing in technology, Ms Yannick elaborated on the key aspects of investing in business intelligence (improving international coordination focusing on global solutions), and in continuous improvement as enhancing information technology services helps to support audit functions by having



the tools needed for effective resolution, risk profiling, workload selection and workload management. She also spoke of a legal tool called the “unnamed person requirement”. She described this as a legal tool used to gather information for third parties to identify taxpayers who are not currently filing, and those who may not be reporting their total revenue.

The second panelist, Mrs. Cecilia Magun from the Internal Revenue Commission of Papua New Guinea (PNG), addressed the tax challenges faced by the country, their third-party data sources and how to mitigate non-compliance through inter-agency cooperation. She shared that non-compliance by the government contractors, ignorance of tax information, manual or partial or incomplete or no records and not proving data for tax purposes are the main challenges faced by the country which leads to non-compliance. Additionally, Mrs Cecilia talked about the strategies they have been put in place in PNG to improve the level of compliance shared PNG’s strategic focus for future which is significantly based around digitalization.

Based on their experiences, the speakers from different nations highlighted the important benefits of closer cooperation for improved tax compliance and provided fruitful instances of successful cooperation between agencies while addressing the importance of building trust for sharing information that enhances inter-agency efforts against non-compliance.





# ACCESSING FINANCIAL INFORMATION



In the 2nd session of the CATA Technical Conference, the speakers looked at the importance of accessing financial information to ensure taxpayer compliance and identify potential non-compliance in time. They provided extensive insight to the benefits of timely access to financial information in detecting tax evasion and fraud and how this can enable appropriate enforcement actions by tax administrators.

Expert speaker Mr Vusi Cornelious highlighted in his speech that in Eswatini, financial information is requested under section 38 of the Income Tax Order 1975 and section 53 of the Value Added Tax Act 2011, and, that this information is massively utilized to profile taxpayers and as an assistive tool for improving taxpayer compliance. Furthermore, this information is also used as intelligence for identifying taxpayers that are qualified for “lifestyle audits”. Mr. Cornelious elaborated that the most significant challenge faced in Eswatini as regards accessing financial information is their conflicting legislation reforms and lack of cooperation from agencies.

Sharing India’s experience on the topic, Mr. Manish Mishra highlighted that India collects financial information of taxpayers from the institutions and organizations and deductors that are responsible for paying the taxpayers, and then this data is analyzed and prefilled on the annual income tax returns that are required to be filed by taxpayers. Information obtained via the tax returns is then processed in a data warehouse which is an indigenously developed data collection, management and analytics platform. Large taxpayers are required to submit with returns audit reports in a standardized statutory form and this structured data is then used in analyzing the basic economic and mathematical correlations and modeling. It must also be noted that India, similar to many other countries has also established information sharing mechanisms between different government agencies, and has adopted a risk based graded compliance approach through extensive use of latest technological advances to verify the large volumes of data obtained by their tax department.

Talking about the access to financial information in Sierra Leone, Mr. Mohamed James Foday from the National Revenue Authority of Sierra Leone noted that a data warehouse was created within the





country's tax authority in the year 2022 together with a Data Analytical Unit, in order to empower the authority in verifying the data obtained and making comprehensive tax assessments. Additionally, according to Mr. Fodey, Sierra Leone is in the works of integrating their ICT related software and systems to enhance tax revenue reconciliation and tax assessment and comparison, improve the monitoring of compliance around timely filing and payments of taxes, broaden their capacity to perform tax audits and investigations and strengthen the availability of trade data and statistics. Mr. Fodey stated that obtaining third party information from external revenue related institutions remains as one major challenge faced by tax administrators in Sierra Leone.

Malta also shared country experience in the session and Mr. Kevin Mifsud from the Director Compliance and Investigations Office of the Commissioner for Revenue of Malta, provided the participants with insightful information on how data is collected in Malta from various sources including tax returns, import/export data, VAT register, register

of companies, banks, local investment funds, exchange of information from EU and non-EU countries, etc. Data collected is utilized to build taxpayer profiles and identify potential under-declared income and cases of money laundering. Malta has an agency named Malta Information Technology Agency serving as the digital security consultant for the Government of Malta for the purpose of safeguarding the Government's digital assets through a comprehensive risk management approach that ensures confidentiality, integrity and availability of data.

The panelists shared from their experience in-depth strategies and initiatives that have demonstrated effectiveness in addressing the challenges and limitations around establishing effective mechanisms for accessing financial information. They also provided extensive insight to the benefits of timely access to financial information in detecting tax evasion and fraud and how this can enable appropriate enforcement actions by tax administrators.



# IMPORTANCE OF THIRD-PARTY DATA: PUBLIC AND PRIVATE SECTOR INFORMATION



The final session of the day began with Ms. Helen Baker highlighting the importance of third-party data within HMRC. According to Ms. Baker, third-party data sources are fundamental to compliance activities and are essential for pre-population of tax returns. She believes that this will encourage the taxpayers to correctly report taxable income and will improve voluntary compliance through behavioral changes as they will be aware of the available data within HMRC. She also highlighted in her speech that HMRC holds many sources of third-party data to support the compliance activities and to build a picture of the risk of tax avoidance.

The finance Act 2011 allows officers of HMRC to give notice in writing to a relevant data holder to provide relevant data. HMRC also holds third-party data acquisition that outlines third-party data gathering powers. HMRC also maintains a data catalogue and the data acquisition steering group established at HMRC prioritizes the data requests across HMRC and ensures that the requests align with the policy and the legislation.

HMRC also acquires data from other government departments or means of voluntary or free data. Most of the bulk third-party data that received by

HMRC is published into the strategic risk system called 'Connect' through which risk profiles are prepared.

Further to this, Ms. Baker talked about the importance of improving data standards. This will achieve more yield from the data acquired whilst adhering to UK general data protection regulations. Data collected by HMRC is encrypted whilst moving data through the system, taking data security very seriously. Before concluding her speech, Ms. Helen Baker also mentioned that HMRC has estimated that the tax gap is around 4.8% of total theoretical liabilities which equates to over 35 billion pounds. To tackle that tax gap, third party data is crucial.

Followed by Ms. Helen Baker's insights, Mr. Roshan Oree from Mauritius Revenue Authority (MRA) shared his experience in data gathering practices. According to him mainly the third-party reporting requirements are laid down in section 1 to 3 of the income tax act whereby the director general of the MRA has authority to request the required data from any person. Some specific provision in the legislation aid to carry out the job efficiently. Hence, large companies whose turnover exceeding MUR 100 million a year are required to submit details of



the contract of goods and services exceeding MUR 100,000 which they have made during the financial year. Similarly, banks, non-bank deposit taking institutions, money exchanges, insurance companies are required to give details about taxpayers who have deficits exceeding a certain threshold.

In 2019 the government of Mauritius came up with a major reform in terms of sharing of data between public sector agencies. This reform is known as the Information Highway Project. Under this project, nation's various databases in the public sector are linked to provide a single platform for the exchange of data between these databases for e-services. In addition, MRA is seeking to improve the quality of pre-populated income tax returns. He also has highlighted that putting third party information on the website of the tax administration will promote voluntary compliance.

Speaking at the conference, Ms. Varsha Singh from the African Tax Administration Forum (ATAF) highlighted the importance of data scientists in tax administration. She also mentioned the importance of policies and legislation that play a crucial role in data sharing. Moreover, she also talked about the importance of single data warehouse approach to efficiently manage the data.

Speaking at the conference, Dr. Zainal Abidin Ngah from the Inland Revenue Board of Malaysia (IRBM) stated that 21st century modern living has exposed us and is surrounded by unprecedented amount of data and information. Due to improved computer processing and data storage capacity tax authorities around the world can easily detect tax evasion

activities. According to Dr. Ngah vigorous tax audits are being conducted by IRBM to tackle tax evasion. Through third-party data gathered from other government organizations and private sector, IRBM selects right candidates for audit activities. There is a special team and a dedicated department at IRBM to handle third-party data.

From this session it has been identified that third-party data plays a crucial role in improving tax compliance, which would reduce administration costs. Speakers also addressed the challenges associated in gathering third-party data and importance of legislations and policies that need to be intact. The back-and-forth dialogue would help CATA member countries to improve tax compliance through third-party data in future.





# PHOTO GALLERY





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Maldives Inland Revenue Authority



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