



IN COLLABORATION WITH:



NATIONAL TAX AGENCY OF JAPAN & INLAND REVENUE BOARD OF MALAYSIA

EXECUTIVE SUMMARY OF PROCEEDINGS

TAX ADMINISTRATION SEMINAR V

TAX AUDIT/EXAMINATIONS FOR ENHANCING FAIRNESS IN TAXATION

24–26 JUNE 2008

**VENUE: MALAYSIAN TAX ACADEMY
INLAND REVENUE BOARD OF MALAYSIA**

REPORT OF THE SEMINAR

The present report is the fifth report on tax administration organized by Asian Development Bank Institute, National Tax Agency of Japan, and Malaysian Tax Academy, Inland Revenue Board of Malaysia. This is presented and submitted by the Rapporteur on tax audits/examinations for enhancing fairness in taxation. The Rapporteur presents an account of the activities undertaken within the framework of her mandate in the duration of the seminar.

Opening Remarks
Mr. Teruo Ujiie
Senior Capacity Building Specialist
Asian Development Bank Institute (ADBI), Tokyo

Introduction

1. Dato' Hasmah binti Abdullah, Chief Executive Officer, and Director General of Inland Revenue Board of Malaysia, Mr. Yosuke Muramatsu, Head of the Japanese Mission Team from National Tax Agency (NTA), Diplomatic Corps, distinguished speakers and participants, resource persons at the Malaysian Tax Academy (MTA), ladies and gentlemen; on behalf of the Asian Development Bank Institute (ADBI), I would like to welcome all of you to "The Tax Administration Seminar V: Tax Audit/Examinations for Enhancing Fairness in Taxation". This is the fifth time that the ADB Institute has organized a capacity building activity on this important subject.
2. I would like to express sincere gratitude to our collaborators – MTA, NTA and Governments of Thailand and Singapore – as well as the people behind the scenes for making this seminar possible.

Asian Development Bank Institute's Focus

3. Let me start by introducing the Asian Development Bank Institute (ADBI) to you. The Institute is a subsidiary of the Manila-based Asian Development Bank, which works for economic development, poverty reduction and the improvement of the standard of living of the people in Asia and the Pacific. ADB lends some \$10 billion annually to its developing member countries. In addition, ADB mobilizes external resources for infrastructure investment and other projects, provides technical assistance for capacity development and policy advice, and facilitates regional cooperation for collective action.
4. ADBI was established in 1997 to help ADB developing member countries identify effective development strategies and improve the management capacity of their agencies and organizations. It attempts to accomplish this through research and capacity building. The Institute is currently focusing on four priority areas – poverty reduction, regional cooperation, private sector development and governance. ADBI holds the Tax Administration Seminar, in particular, from the perspective of achieving good governance and regional cooperation.
5. ADB and ADBI have another capacity building program on taxation i.e. Tax Conference that deals with policy aspects of taxation under the funding from the Government of Japan, and we have had for 17 times since 1991. From this year, ADBI solely organizes this event in October by renaming it as "Regional Tax Forum". Accordingly, ADBI will cover both policy and practical aspects of taxation, and hopes that ADBI receives good proposals from tax authorities.

Formation of the Tax Administration Seminar

6. The tax administration seminars were initiated in 2004 as part of the Study Group on Asian Tax Administration and Research (SGTAR). SGTAR was established in 1970 as a forum to reform and develop overall tax policies through mutual exchange of tax administration knowledge and experience, and to reinforce the unity among the thirteen members: Australia, the People's Republic of China, Hong Kong, China, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, Philippines, Singapore, Taipei, China,

Thailand, and Viet Nam. SGATAR members meet annually to share best practices and experiences related to tax administration. These annual meetings also serve to strengthen the solidarity of the SGATAR members. I myself once participated in one of the SGATAR meeting in Republic of Korea.

Challenges of Tax Administration

7. The establishment of efficient and transparent tax administration systems is crucial for sound fiscal management. Increases in tax revenues and public expenditures have become important to sustain economic growth and social stability. Policymakers and administrators need to improve enforcement of tax administration, taxpayer services, and tax policy harmonization. These are key elements of good governance and sound fiscal management. The tax administration seminars, which are networking activities for sharing and exchanging our knowledge and experiences on tax administration, can be beneficial for realizing efficient tax administration systems in Asia and the Pacific.

Seminar Objectives and Expectations

8. This seminar chiefly aims at:
 - Providing tax policy makers and administrators with latest knowledge and administrative techniques to modernize their tax systems, and
 - Exchanging views and sharing experiences on key and emerging taxation issues among tax administrators in Asia and the Pacific.
9. Until now, we have held this seminar four times. The topic of the first one was “Tax Administration, Taxpayers’ Service, Tax audit, VAT and Staff Training”; the second seminar focused on “Enhancing the Integrity of the Tax Service and Countering Tax Evasion”, the third one was on “Tax Reform and Tax Administration – Introducing and Operating the Self-Assessment System in Asian Countries”, and the fourth one was on “Examining the use of IT in Tax Administration”. And now for the next three days, we will address “Tax Audit/Examinations for Enhancing Fairness in Taxation”.
10. While income-related taxes are the biggest contributor to national revenue in many countries, a self-assessment of income, in the modern tax system is widely used. In this particular context, tax audit/examinations for individuals and corporations and provisions of various services to these taxpayers are the two pillars to support the self-assessment system. The main purpose of these audit/examinations is to achieve fairness in taxation among taxpayers.
11. With globalization of economic activities and wide use of information and communication technologies, business transactions have become more and more complicated both in developing and developed countries. ADBI is, therefore, hoping that participants will benefit from more advanced tools and methods relating to tax audit/examinations through this seminar.

Conclusion

12. With these issues in mind, I anticipate that you will have fruitful deliberations during the seminar. Also, I hope your participation over the next three days will result in the efficient implementation of tax administration with good governance, which will lead to secure and stable tax administration in your respective countries. I wish you great success in your discussions, and I look forward to learning about your recommendations and conclusions.

Thank you.

Welcome Address
Mr. Yosuke Muramatsu
Director, National Tax College
National Tax Agency, Japan

1. Good afternoon, ladies and gentlemen. It is a great pleasure for me to welcome you to this Tax Administration Seminar. First of all, on behalf of the National Tax Agency, Japan, I would like to thank the Malaysian Tax Academy and the Asian Development Bank Institute (ADBI) for giving me this opportunity to have the honor to greet you at the opening of the Seminar. I am grateful for the opportunity. In addition, I want to thank all of you for taking the time from your busy schedules to attend this seminar. I know how difficult it can be to interrupt one's regular professional duties. However, it is my hope that through this seminar we will be able to enhance our professional capacities and contribute to our shared goal of improving the quality and efficiency of tax administration – not only for its own sake but also as a significant element in improved government and civic life in general.

2. The Tax Administration Seminars started in 2004. We believe that these Seminars have contributed to the improvement of tax administration in developing countries and to the promotion of international mutual understanding among them. It is a great pleasure for us to hold the seminar this year in Malaysia and I am delighted to be able to greet 26 participants from eight countries. This is an important opportunity to learn from each other, to share best practices, to understand diverse challenges, and to build networks for future professional collaborations.

3. This seminar will consist primarily of lectures, country reports and discussions which are mainly focused on the tax audits/examinations for enhancing fairness in taxation. Needless to say, a sound tax system and tax administration is the foundation of the activities of government and thus a precondition for the economic development of nations. Therefore, it is essential that tax administration is conducted fairly and so it can win the trust of taxpayers. Modern tax systems – like modern government in general depend on the confidence of the taxpayers and we can only achieve that confidence through appropriate administration, education, and fairness.

4. I hope that the participants in this seminar will contribute to the improvement of tax administration in your workplaces by utilizing the knowledge and experiences that you acquired in this training program. I also hope that you will share what you will learn with other colleagues for the improvement of your administration. Dissemination of best practices in tax organization is essential for the enhancement of the quality of the tax administration, and I hope that you will contribute very much to this end. So, please participate vigorously in our discussions and share your experiences – since the culture of tax administration often varies from country to country. But also please regard yourselves as emissaries from this Seminar and share what you learn with your colleagues when you return to your home countries.

5. Let me conclude by expressing my sincere hope that this seminar will be fruitful and productive opportunity for all of you, and the chance for deepening of our professional ties and our friendships.

Thank you.

Opening Speech
[Dato'] Hasmah Abdullah
Chief Executive Officer/Director General of Inland Revenue
Inland Revenue Board of Malaysia

1. Your Excellencies and Members of the Diplomatic Corps, Mr. Teruo Ujiie, Representative of Asian Development Bank Institute, Japan, Mr. Yosuke Muramatsu, Representative of National Tax Agency, Japan, Madam Noor Azian Abdul Hamid, Director of Malaysia Tax Academy, Distinguished guests, Ladies and Gentlemen. It is a great pleasure for me to be here this afternoon to deliver the opening address of the Tax Administration Seminar V which is jointly organised by the Asian Development Bank Institute (ADBI), the Inland Revenue Board of Malaysia (IRBM) and the National Tax Agency of Japan (NTA). Let me take this opportunity to extend a warm welcome to all foreign officials and participants to Malaysia.

2. First of all, I would like to thank ADBI for the honour given to IRBM to host the Tax Administration Seminar for the second time. I am sure that this year's seminar with the theme of *Tax Audit/Examinations for Enhancing Fairness in Taxation* will be as successful if not more as the Tax Administration Seminar II which was held here in 2005.

3. I wish to commend ADBI for its initiative in providing a platform for tax policy makers and tax administrators particularly in this region to come together and share knowledge and experience in the implementation and administration of tax laws. As many of the challenges faced are common to all tax administrations, a seminar like this enables tax authorities to learn more from one another as well as strengthen their multilateral cooperation.

Your Excellencies, Distinguished Guests, Ladies and Gentlemen,

4. The role of tax administrators is very important, as tax is one of the major contributors to a nation's revenue. Failure on the part of the taxpayers to comply with the tax laws, whether due to ignorance, deliberate evasion, or weaknesses in the tax administration, denies governments, and in turn the people, the revenues needed to provide services to citizens. Therefore it is imperative not only to have a modern tax system but also an efficient and effective tax administration to ensure high compliance of tax laws.

5. One of the measures taken by tax administrators to improve the overall compliance of the tax laws and to instil public confidence in the fairness of the tax system is to incorporate an audit or examination function in their tax administrations. If there is no mechanism to check non-compliance, this may lead to even honest taxpayers to be non-compliant as they do not see fairness in the tax system. Fairness in the tax system can only be demonstrated by ensuring that everyone is paying their fair share of tax and appropriate action taken against errant taxpayers.

6. In Malaysia and I believe likewise in other countries, we have always impressed upon taxpayers that audit is a routine examination of returns. Selecting a return for audit or examination does not always suggest that the taxpayer has made an error or has been dishonest. However due to the limited resources tax administrators usually have, audit selection is normally done based on risk factors. Nevertheless,

examination of returns should at no time be made with prejudice and tax auditors should always maintain an open mind in executing their duties. This is very important in order to gain respect and co-operation from taxpayers. It is especially so, given that an audit is mainly conducted at the business premises of the taxpayers and as such, audit work by the revenue authorities could easily be viewed by taxpayers as an intrusion and disruption to their daily workflow.

7. Taxpayers are more likely to comply with the tax laws if they are treated fairly and are provided with the necessary information, guidance and other services to meet their obligations. For these reasons tax authorities around the world are making concerted efforts to provide taxpayers with the best services possible.

8. In recent years tax authorities have also increased their efforts to be more transparent. As far as audit and tax examination is concerned, many tax authorities have already come out with guidelines or frameworks. IRBM itself has issued its Framework on Audit and on Investigation in year 2006. This framework outlines the rights and responsibilities of audit officers, taxpayers and tax agents in respect of a tax audit and investigation. It also covers criteria for audit and investigation selection, tax audit and investigation methodology, settlement upon completion of an audit or investigation and offences and penalties. Such framework promotes understanding and fairness in the tax administration.

9. Having said all this, I must stress that Revenue officers must always maintain a high level of professionalism and skills in conducting audit and examination. This can only be achieved if officers are equipped with the right knowledge and expertise in performing their task. I am indeed very happy to note that opportunities for revenue officers to enhance their knowledge and skills have increased through the initiative and support of organisations such as ADBI. The IRBM is indeed deeply honored to host this seminar and at being invited to present a paper in this seminar together with the National Tax Agency of Japan, the Inland Revenue Department of Thailand and the Inland Revenue Authority of Singapore. The willingness of tax authorities to share their experience in this seminar augurs well for closer co-operation between tax administrations especially in the Asian region.

10. I wish to congratulate all parties who have worked hard to ensure the success of this seminar. I trust that this seminar will meet its objectives and provide the participants with a meaningful learning experience. On that note, it is my pleasure to officially declare open the Tax Administration Seminar V.

Thank you.

Executive Summary

Introduction

1. A total of 26 tax officials from 8 developing member countries participated in the Fifth Tax Administration Seminar to discuss enhancing tax audits/examinations in the tax administration. Introduction was presented by Mr Teruo Ujiie, co-coordinator of the program, Senior Capacity Building Specialist, ADBI. Mr Teruo thanked Malaysian Tax Agency for hosting the occasion, co-sponsor National Tax Agency, Japan and welcomed eminent speakers for the course program. He detailed the program for the three days, and the official opening ceremony to be held in the afternoon of the first day. He also noted that certificate of attendance and CD of the seminar will be given to each participant. Following that, the respective participants from different countries introduced themselves.

Keynote Address: Improving Tax Compliance for SME **Mr Yosuke Muramatsu**

2. The keynote address of the seminar was delivered by Mr. Yosuke Muramatsu, Director, International Cooperation Group, National Tax Agency (NTA) Japan, followed by Professor Hiroaki Ogawa and Assistant Professor Takako Imai, both also from NTA.

3. The main focus on SMEs' tax administration is in improving compliance of audits of direct and indirect taxes. SMEs represent a large number where income is not fixed, and may be difficult to verify. In addition, the operation structure and development of book keeping can be improved upon, with independent audit and to minimize underreporting of tax liabilities. He touches on information management and audit case selection, approaches and audit techniques including indirect income measurement method, improving auditor capability (Malaysia), taxpayer service and guidance for SME (Singapore) and use of IT for audit activities (Thailand). Support tools such as audit techniques and audit workforce management can be used with improved strategies and actions to enhance competency of audit officials.

4. The roles of tax audits include:

- 1) Promote voluntary compliance by taxpayers through tax laws by demanding and inspiring community that serious abuses will be detected and penalised.
- 2) Detect non-compliant taxpayers by concentrating on unreported cash income, evading significant income /under statement and additional tax revenue collection
- 3) Gather information from the results of general audit on the general well being of the company to hold judgment on overall tax compliance
- 4) Educate taxpayers to identify improvement and record keeping, and further contribute to future compliance.

5. Fundamental legal framework is critical to ensure efficiencies including the provision of appropriate sanctions to deter non compliance. Revenue bodies have appropriate power of access to information and taxpayers properly verified and established. Authority to access books and records by the various offices is instituted to deter non-compliance and punishment is enforced in addition to availability and management of third party information.

6. It is the taxpayers' record-keeping obligations to keep books and records, even though private persons are only required in exceptional cases. Most countries have simplified accounting requirements for SMEs and specific requirements for VAT to require more detail such as record of purchases or delivery. Various technological

capabilities will further enhance the keeping of electronic books and records within a 10-year period. In Japan, SMEs is defined with paid up capital of below Yen 100 million / USD 1 million.

7. Legislation is provided for the authority to access all tax-relevant information during an audit and to conduct such investigation at the business premises though such framework varies across countries including the issue of double taxation agreement. All countries have legal provision and limitation provided for under the professional pledge of secrecy and information to support the auditors in managing third party information. With such appropriate facilitation, legal sanctions can be imposed to those who withheld information and penalties for refusal, understatements, fraud, and tax evasion offences.

8. Tax audits are organized along the functional model, taxpayer segment, specialized workforce and performance measurement. No specific model is advocated, however in most OECD and selected countries, clearly there are two models identified. First, the use of functional model of operations and second, the emergence of groups of specific segments of taxpayers with specific characteristics of tax compliance behaviours. Generally they are to achieve greater standardization and operational efficiencies, effective management of risks and strategic approaches.

9. A key attribute is performance measurement, supported by the management's comprehensive set of performance measures, measuring effectiveness by using a number of indicators of output such as yield, time, volume, coverage, and quality measures. It is essential to improve the level of effectiveness in taxation and compensate for any inadequacies with cultural aspects and cultural changes in mind.

10. Audit support tools and techniques should be based on accuracy, efficiency, objectivity, transparency, consistency, and sensitivity. A systematic approach to planning systematic audit can be greatly facilitated by industry benchmark data and, materials, IT facilities, indirect income measurement techniques, and EDP audit capability. Case selection, analysis of data and information, and indirect methods using bank deposits and cash expenditures method; mark-up; unit and volume; and net worth method are integral.

11. Unreported income is a critical element of audit process and can be prevalent in many small businesses. During the stage of pre-contact analysis, a review of unreported income, intelligence gathering, prior compliance history and returns, and preparer performance are profiled. Cash flow analysis is important though this may vary accordingly with the cash nature or attributes of the company. Internal resources include bank interests, other financial details and prior tax returns on files and pertinent income payment to be verified. External resources include information on public domain and public bodies such as local authorities and information in the internet. Thus it is very important to control the additional information and the potential benefits of effective audit. In reviewing prior compliance history, a common technique of income expense-receipts is used. Analytical review or financial review is conducted during the preliminary review of the audit and sales, cost of sales, and inventory. Unusual differences, if any, are noted during the interview with the taxpayer and additional procedures developed where necessary. Second, investigative approach is encouraged with information from observation, records obtained from taxpayer or other external accounting sources. Previous examination is also utilized in gathering information such as backdoor trade, and any other

irregularities. On-site survey and on-the-spot financial checks on vouchers, cash account receivables, account payables, process maps, etc are also integral.

12. Comprehensive audit manual can help to achieve consistency and the proper interpretation of legislation, correct use of operational procedures and to ensure updating of information is available to staff and the general public in the form of simplified guidance.

13. Audit workforce management is essential for the required skills and the training and development of competency in conducting investigations, tax accounting and financial analysis; communicate effectively the effective decisions whilst conducting research and analysis. Initial training is essential to provide the required level of competence bearing in mind, continuous training and development is effectively carried out according to needs, level of qualifications, and experience. In Japan, the residential training is 1 year. Continuing professional development is important to ensure auditors' skills are kept up to date and to address business needs and introduction of new software, and new practices to make them more effective. Job rotation provides auditors with new opportunities, abilities, and challenges to prevent inappropriate relationships with clients. Job rotation can be formally structured, or on a needs-basis. Promotions and transfers are performed after considering staff members' abilities.

14. **Professor Hiroaki Ogawa** deliberated on the experience of Japan's National Tax Agency (NTA) with the realization of proper and fair assessment and collection of national tax, nature and role of tax audits in Japan. There are approximately 40,000 tax staffs in coping with the increasing number of audits. Electronic record keeping was implemented in 1998.

15. NTA Authority of Tax Audits and the internal audit system [The Kokuzei Sougou Kanri system (KSK)] are evidently well-managed with nationwide on-line processing system. The KSK system links all Regional Taxation Bureaus, Okinawa Regional Taxation Office and Tax Offices, to handle various administrative works in a more sophisticated and efficient manner by managing all the data across regions or tax items. It manages national tax obligations in an integrated manner on tax returns and tax payment and analyses for tax collection. The system is aided with the enforcement of penalties and availability of specialists and task force in view of the huge number of approximately 23 million filers of self-assessed income tax and 807,000 number of audit cases. The offenders were fined and a very small number jailed since its nationwide operations in 2001.

16. **Ms Tanaka Imai** spoke on **information management and audit case selection**. All information related to taxation can be shared among all tax offices. To effectively manage information, preparatory stage is paramount as information management of quality and quantity based and case selection to determine the risk management. Information management can be collected from third party, tax auditors, taxpayer registration (to locate the non-taxpayers) and e-commerce.

17. Third party information is one of the tools for tax authority to capture taxable transactions between taxpayers where system of information reporting is identified from compliance tools, and mandatory and non-mandatory reporting. Information under mandatory reporting submitted to tax offices consist of 52 types of payment records, withholding record slips and records of funds transferred overseas, etc. Information under non-mandatory would constitute collection during tax audits, information day (twice a year in Japan where information is retrieved from attachments submitted by taxpayers), general collection (Information submission

request for specific taxpayers), strategic collection visit for specific industry to find new information source, special collection (continuous collection to strategic collection visit e.g. property transfer, etc) and information collected voluntarily through observations by tax officials.

18. Auditors have to detect any peculiar transactions and identify effective information in the various data collection particularly 'access' software developed through private outsource. Auditors can compare total amount of transactions in information data with the return contents and output information data on specific taxpayers. Auditors are assigned in batches to find every opportunity to collect information during site visits. Information exchange between countries in tax treaty is provided to cross-check companies/subsidiaries/branches in other countries

19. Non registration of tax payers is another issue. When the taxpayer changes his location/address, notification has to be made. Even if they did not, they can still be captured with close contacts between districts including inquiry of telephone number, rental property, public health centre, registry office, local government (local taxation, and resident registration).

20. According to **Professor Hiroaki Ogawa**, Professional teams are developed for E-Commerce Taxation in developing audit techniques, identifying business entities, sample audit and collecting settlement data and E-Commerce. Non-performing loan issues has to be closely monitored where foreign fund investment are transacted through pass-through entities. At the forefront of auditing is the 'Protect' activity in driving the necessary compliance and managing risks. E-Commerce in Japan operates on a nature of 'business to investor'; many using the Netherlands silent partnership contract model in their attempts in avoiding taxation.

21. Where risk management is concerned, taxpayers are classified according to sales ranking, industry categories and compliance level categories of low, medium and high risks. Prior compliance history and preparatory screening is reviewed. Analysis and screening of E-Commerce activities includes: (1) supplemental data input (OCR input) consisting of summary of business operations and (2) screening of tax returns both manual and computer-based carried out by the Chief Auditor in Japan.

22. Regional offices pre-determined the screening criteria and other necessary criteria by the Chief Auditor dealing with specific issues of screening items, comparative financial data and limitations involved. Ratio analysis is summarised according to region and comparison of similar trade can be done. Score system is used for screening (individual) in deciding specific business, area, farming, and others.

23. **Approaches and audit techniques including indirect income measurement method** are committed towards the conduct of audit. Intelligence gathering and secondary review by Management of District is also eminent. In Japan, taxation is also on family cash businesses and profit and loss items in terms of taxable income. Preparatory audit is important in grasping general conditions of target taxpayers and additional check points that include internal and external observation and all kinds of registered information.

24. Strategic tax audit approaches of the organization and coordination of audit techniques, tools and current issues need to be highlighted. Approaches include audit coverage specialised workforce, coordination between groups taking into account the nature of the organization. In cases of large tax evasion, it lies with the

regional level office of Criminal Investigation Department of RTB. Complicated cases are handled by Information & Examination Division of RTB which is at the district and branch offices. At the Regional level, there are the Taxation Department, Large Enterprise Examination Department, and Criminal Investigation Department. The Individual Taxation Division, Corporation Taxation Division and Information and Examination Division are under the jurisdiction of the Taxation Department. With the issue share capital USD1 million /yen 100 million and a large turnover is the classification of large cooperation. Single auditor carries out each audit whilst two or more auditors are assigned for a large scale or complicated audit case. Specialised workforce such as Professional Team for E-Commerce Taxation (PROTECT), and Project Team for International Tax Avoidance are necessary. Coordination between groups is also essential at regional and district-wide in the selection of specific businesses and those that call for simultaneous audit of companies, subsidiaries, and cross-boarder trading companies.

25. Typical audit techniques include on-site audit, cash audit, fact-finding audit, inquiry to the trade counterparts of the tax payer, bank audit, audit with estimation, internal and external observation, and hearing of general conditions. Hearings are held to facilitate understanding corporate organization, accounting bank system, and managerial system of accounting sections and to make audit plans. Investigative approach via observation, on-site audit, audit of cash transactions and fact-finding are undertaken at various stages of audit, and counterpart examination. Fact-finding audit can be a surprise audit. If documentation is insufficient, bank audit can be focused on if there were questionable transactions.

26. Entertainment expenses are not deductible in Japan but meeting expenses is. Sometimes, indirect methods can be used: 1) source and application of funds method (T-account); (2) Bank Deposit and Cash Expenditures method, (3) Mark-up (ratio) method, (4) Unit and Volume method; and (5) Net Worth method. Rationality of estimation in determining the correctness of documents is used by the NTA which include Ratio method (often used), efficiency method (also often used), assets and liability method, and consumption method.

27. Comprehensive audit manual (electronic format) is used such as basic examination techniques, investigative approach, counterpart examination, bank audit techniques, and specific industry audit techniques. There are 63 industry manuals in Japan according to industry-based classification / specification. Industry profile or benchmarks are used basically on case selection and income estimation purposes.

28. Meetings of sharing know-how and excellent achievements are recognised at the levels of individual offices, the NTA, Regional Taxation Bureau, and Tax Offices. Aggressive tax planning issues include any scheme for the reduction of income or capital gains tax and those that involve artificial, fictitious, and complex arrangements including boutique-made schemes that take advantage of legal complications. Types of ATP schemes include hybrid instruments, artificial loss, foreign tax credit, tax havens, and profit sharing. Tax laws have to be amended from time to time to address such conditions.

29. Questions from participants were numerous. Firstly, the assessment method will be used in the event if the taxpayers do not have written records. Second, appeal of taxes can be done at district offices/division, proceeding to tax tribunal and finally the high/supreme courts for settlement of disputes. Third, the white and blue returns must have special book keeping records. The white ones use simplified book keeping whilst the blue returns follow double entry method.

Resource Papers

Resource Paper 1: Improving examiner capabilities (Investigation Department, IRB Malaysia)

30. The organizational structure and culture of IRBM was elaborated where it has four major components namely operational, compliance, technical, and corporate affairs. The management focus, core values, integrity, and capacity building of the institute are presented. Audit Performance and investigation cases have risen over the years and hence it is important to improve capabilities in the training and development strategies, specialized audit and investigation techniques including the use of technology. Training strategies are basically performance driven and aligned with organizational goals and strategies, capabilities and key competencies. Training needs analysis is determined prior to delivery and evaluation to ensure selective intervention is implemented in order to achieve desirable results. Since 2005 IRBM has embarked on a policy focusing on building a competency-based organization with a minimum of 40 hours of annual training in their continuous professional development by the respective training centres (Malaysian Tax Academy, Audit Training Center (PULADIT), Investigation Training Center (PLAS), Stamp Duty Training Center (PULATEM), and External Training Agencies. Emphasis is given on training of skills and knowledge of accounting practices, risks analysis, legislation, case management system and processes, communication and interpersonal skills, and information technology. Investigation techniques such as forensic accounting, e-finance analysis, e-auditing, intelligence and integrity are also inclusive. Overall, IRBM is committed towards capability and capacity building of its officers in executing the country's taxation policy. Selection of audit cases to be examined is systematically carried out at the regional offices based on risks analyses. There were 748 settled cases worth of RM686.4 million in 2007.

Resource Paper 2: Taxpayer Services and Guidance for SMEs - Inland Revenue Authority of Singapore (IRAS)

31. There are several working definitions of SMEs, where currently in Singapore, they are in large number with a diverse size and types of businesses. Usually they do not have professional staff dealing with taxation. The Ministry of Trade and Industries defines the SMEs into 2 categories: manufacturing and non-manufacturing. In the manufacturing, SMEs are those companies with net fixed assets investments of S\$15 million or less and the non-manufacturing industries with employment of less than 200. In 2007, there were 161,000 SMEs employing 62% of the workforce with a creation of 145,000 new jobs accounting for 48% of the total value added in the economy.

32. The IRAS adopts strategies to service and guide taxpayers in professional and friendly manner in the belief that most taxpayers are compliant with a current estimate of 90% and is tailored to every category. The philosophy of IRAS in providing the services demonstrates 4Cs:- **courtesy, competence, clarity, and convenience**. The service pledge of quality of response and time is maintained e.g. responding in a timely manner of phone calls within 2 minutes, letters within 3 weeks, attendance within 20 minutes, and refunds made within 30 days. In demonstrating the quality of services to taxpayers, its service initiative is to maintain a simple tax system providing services in registration and de-registration, tax filing and obtaining review for future improvement.

33. Auto creation of income tax and procedures of de-registration can be implemented with a waiver of submission of income tax return for dormant companies and procedures to strike off with Accounting and Corporate Regulatory Authority (ACRA) who holds business and corporate accounts. ICT is used to obtain information from other government agencies in ensuring compliance and convenience for all.

34. There is high exemption threshold of \$1 million for Goods and Services Tax (GST) registration. Smaller SMEs have the option not to register for GST and need not comply with various compliance requirements. Tax returns are reviewed regularly to reduce compliance costs for example the reduction of number of pages needed to be filled in is reduced from 8 to 5. Sole proprietors and partnership businesses with turnover less than \$500,000 only need to submit a four line statement without submission of accounts and those with turnover of less than \$200,000 only need to fill in a two line statement.

35. A six monthly return of GST accounting is available for voluntary registrants and the option for cash accounting instead of accrual basis for smaller SMEs. Other facilities include the 5-year rule review cycle to ensure easy compliance and simplification of rules and requirements. Examples include assessment of non-trade income and donations on accounting year instead of calendar year basis and allowance of 100% capital allowances with the condition of up to \$30,000 per annum for small assets costing \$1,000 or less.

36. Convenient services are provided on websites such as e-filing of returns, view notices online, and application for certificate of residence. Further, automated 24 hour phone service for retrieval of general tax information and request for forms/brochures, helpline service, e-mail enquiry services, e-filing services are also made available. There are various channels for feedback to tackle them at source e.g. via quality service manager, complaint management source, track compliments received, and mystery customer audit. Feedback is translated into work procedure changes.

37. Guidance for SMEs are eminent that include taxpayer education program leveraging on mass media and third parties, providing assistance in filing tax returns and record keeping obligation. Regular seminars and workshops are targeted especially for new businesses / SMEs and those without tax agents for the task of completion of tax return, tax obligation and basic corporate tax and help them get their tax affairs right from the start instead of problems cascading for subsequent years with fortnightly held GST seminars and monthly sessions of corporate tax seminars.

38. Ad hoc seminars are also held where there is a need to reach out in 2004-2007 to specific groups of taxpayers in relation to GST rate change and e-Services. Mass media is leveraged to educate public on the right way to declare rental income and common errors of self-employed and voluntary disclosure. Third parties such as taxi drivers are used to distribute leaflets via taxi rental companies and real estate agents with educational sessions for bigger real estate agencies, and pushing out record-keeping guide.

39. In tackling specific industries, e.g. the food & beverage industry deals with the customized hawker tax guide, educational dialogues sessions through hawker associations and e-filing assistance sessions made available for hawkers. Starter guides for tax-computation worksheet for sole-proprietors, new companies and self employed

with multiple assistance of officers at community clubs and IRAS SurfCenter for those without internet access are provided.

40. Record keeping period is reduced from 7 to 5 years as part of overall government's effort to reduce regulatory burden and audit exemption by ACRA for private companies with turnover of less than S\$5 million. Notwithstanding, many SMEs faced the issue of e-tax record keeping obligation. Thus, to address this matter, recent publication of E-Tax Guide for Small Businesses for GST and Income Tax was introduced and letters were sent out to selected new sole-proprietors to educate them.

41. Results from the 2007 taxpayer survey revealed that 97% are satisfied with the effectiveness of IRAS in dealing with non-compliance and believed the positive attitude, honesty and compliance of taxpayers. The World Bank Report "Paying Taxes 2008 – the Global Picture" ranked Singapore as the second top-ranked country where businesses find it easiest to pay taxes and Singapore taxpayers spend the third least number of hours every year to comply with tax requirements.

42. Questions from participants in relation to systematic updates on Registrar of Companies were answered. Major exporters need not pay GST when they import. VAT is only 7% and notice of assessment is issued less than 2 months after the filing return. 90% of population has internet connectivity thus easing the e-filing tasks. A balanced procedure is practiced with a combination of audit to deter non-compliance, and education on tax obligation to ensure success and cost-effectiveness.

Resource Paper 3: Use of IT Audit/Examination: The Revenue Department of Thailand

43. Audit processes are increasingly automated in operations, processes and securing effectiveness and efficiency. Traditional manual method is being replaced by statistical sampling software and computer assisted audit tools for better accuracy and time reduction. Selected audit areas are focused upon with various sampling quantification and selective techniques in regards to sales, accounts, items, and invoices.

44. A major concern is information confidentiality where tax officials are prohibited from disclosing information resulting from audit and if convicted of such practices, are subject to fine and imprisonment. Reliability of financial reporting and compliance with rules and regulations, general control and application control are emphasized. There is the issue of control and operations where reliability of financial reporting and compliance with rules and regulations are important.

45. Information system control constituting general control and application control is important to ensure integrity of both tax officials and taxpayers. Specialized skills of data processing, software packages, and audit techniques are of utmost importance. Lack of staff qualification resulting in inefficiencies is a factor to be recognized and the difficulty of using IT audit in Thailand is a concern especially in regards to confidentiality, compatibility of software and the mere usage of technology is an issue as the project is on the verge of being abandoned again. The revenue department is trying to develop its own software now compared to the privately developed /market software.

46. The second phase of IT audit in Thailand is progressing from the audit approach to supervision approach. Consultations with the taxpayers are implemented to give opportunities to make amendments in filing additional return thereby reducing penalty and surcharge. Supervision audit is used to analyze current tax payment, financial statement analysis and site-visits to determine genuine business revenue and operations, and documentation evidence. Information from database are integrated from various departments and analysis of VAT, withholding tax, and previous years of taxation and compliance records.

47. However, the website of the Revenue Department of Thailand is only accessible to Tax Officers **but not the taxpayers**. The tax officers fill in the information into the website and evaluate the returns of the taxpayers, both corporate income tax and individual taxation. There are plans to utilize more IT audit with the current approximately 8000 audit staff and a total of 23,000 in the revenue department.

Country Reports

1. Cambodia

48. Historically, the Tax Department was re-established in 1981, with a staff of less than 200 initially set up in Phnom Penh and subsequently in five other provinces. From 1982 to 1993, it was administered by using Pure Estimated Regime of Taxation. The structure of the Tax Department is divided into two levels: central level (9 offices) and operational level (3 offices and 24 branches) with a total staff of 1,412. Tax Audit Offices are: (1) Audit Program Management Office, (2) Inquiry and Cross Checking Office, (3) Large and Medium Taxpayers Office, (4) Enterprise Tax Audit Office, and (5) Municipal/Provincial Tax Branches. Types of audit include desk, comprehensive and limited audit. The respective departments have its jurisdiction of policies and procedures.

49. The tax system underwent reform in 1993/1994 with the introduction of Self-Assessment System (Real Regime) and Estimated Regime (Official Assessment). The first system is applied to large and medium enterprises with a revenue collection of over 80% whilst the latter is for small taxpayers. The Law on Taxation was introduced in 1997 consisting of Profit Tax, Withholding Tax, Salary Tax, VAT, Excise Tax, and administrative rules and procedures.

50. Major types of taxes are: (1) tax on profit, minimum tax, additional profit tax on dividend distribution, and withholding tax; (2) tax on salary and fringe benefits; (3) value added tax; (4) excise tax; and (5) other taxes such as accommodation tax, public lighting tax, patent tax, stamp tax, tax on unused land, property transfer tax, slaughter tax, and tax on means of transportation, etc.

51. Desk audit is limited to verification of specific items or request for invoices and records. Limited audit can be VAT Refund Audit, VAT audit, project audit on specific items where this is more likely to take place on-site similar to the comprehensive audit which is broader in scope and risks. Limited audit on VAT filing is on a monthly basis and aggregated annually at 12%.

52. Audit Program Management Office sets up the annual nationwide audit, selects the appropriate files for scrutiny based on computerized database, and monitors the national audit policies application and audit program achievements. The Inquiry and Cross-Checking Office performs the said functions as its name reflects in providing supporting information and also participates in the audit functions. Similarly, the Large and Medium Taxpayers Office is committed to the small and medium enterprises segment. On a wider scope, the Enterprise Tax Audit Office conducts all types of taxes and taxpayers' audit in the nation. The respective Municipal/Provincial Tax Branches also have audit sections and limited audits within its control.

53. Issues and challenges in Cambodia include the taxpayers' limited knowledge in tax legislation and regulation coupled with inadequate record-keeping resulting in the difficulty of data collection. Thus, tax reform is much needed in promoting awareness of the taxpayers, capacity of tax auditors, IT development, improvement of tax audit procedures, deterrence of tax evasion and encouraging proper documentation of book-keeping and public cooperation further strengthening the confidence and integrity of the taxation system.

2. Indonesia

54. The Directorate General of Taxes has implemented reforms in two aspects: (1) introduction of Medium and Small Taxpayer Offices; and (2) amended Tax Law concerning General Provisions and Tax Procedures in 2007 to be implemented in 2008. The objectives include assessing taxpayers' compliance and implementing the provision of tax law. The main purpose of audit is to assess tax compliance in accordance with tax regulation and other related audit functions and audit standards distinctively categorized into general, performance and report.

55. Two scopes of audit are identified: office audit and field audit. Office audit is conducted within 3 months and may be extended up to 6 months from the date of summons letter of audit report. An extended period is witnessed for field audit which is conducted within 4 months up to a maximum of 8 months and for the case of transfer pricing, up to 2 years. Three types of audit have been carried out: (1) routine; (2) special; and (3) selection criteria audit (computer selected for medium and large size taxpayers). Priority is given to the routine audit.

56. Rights/authority and obligation of audit officers and taxpayers are distinguished distinctively. Audit process is carried out in the stages as follows: preliminary; request for documents; refusal of audit (Statement Letter of Audit Refusal); and sealing of premises. Explanation of third party and response to the notification of audit findings are done within 7 working days. In the event of a dispute, the taxpayer has the right to lodge a further discussion with a panel to be carried out within a month. Subsequently an official report regarding final discussion of audit result and minutes of meeting will be recorded. However, the audit result can be cancelled ex-officio or at the request of the taxpayer if the audit officer fails to notify the audit findings or a voluntary disclosure by the taxpayer in writing is submitted earlier. Preliminary evidence audit and re-audit can be granted if there is new information surfaced or upon the decision of Director General of Taxes to re-audit but only once within a limitation of 5 year period under the current law provision. No penalties or sanctions involved if individual taxpayers refuse to supply information of

record-keeping but for corporate accounts, preliminary evidence audit and re-audit is proposed.

3. Lao PDR

57. Ministry of Finance is divided into Provincial Tax Offices (17) in charge of medium size taxpayers and District Tax Units (142) for the small taxpayers. Direct tax deals with profit tax, income tax, minimum tax, and fees and charges whilst the Indirect tax comprises turnover tax and excise tax

58. Taxpayers are categorized according to turnover in the local currency: small (< 200 million), medium (200 million – 2.4 billion), and large (> 2.4 billion). Accounting and tax payment regime varies according to size be it elementary, normal or extended for the respective gradual size of turnover and self-assessment for both medium and large whilst small taxpayers operate on contractual basis.

59. There are three types of audit: (1) based on documents available in the tax office (desk audit); (2) directly in the enterprise offices; and (3) urgent audit of accounting. The tax agency shall inform the taxpayer ten days prior to audit in writing so as selection of accounting consultant and necessary documentation are available.

60. Tax officers sign a contract with the respective taxpayers to estimate tax due and normally agreeable to both parties on an annual basis. The contract is conclusive and binding during negotiation. Even if there appears to be misrepresentation made earlier but will only be reviewed the following year on an estimation basis. In conclusion, law enforcement is crucial in tax collection with an achievable revenue target.

4. Malaysia

61. Inland Revenue Board of Malaysia (IRBM), a statutory body has 37 branches, 17 investigation and intelligence centers and 9 tax service centers. Administratively, direct taxes are under the jurisdiction of IRBM, indirect taxes lies with the Customs Department, and non-tax revenue with the Accountant General. A total tax revenue of RM141,790 million was collected in 2007 with a contribution of 72.88% direct tax. The income tax revenue of 2007 is RM66,929 million of which companies' contribution is 48.07%, individual 18.16% and petroleum 33.77%.

62. Types of audit are similar to other countries with the availability of desk and field audits. Taxes administered include Income Tax Act 1967, Petroleum (Income Tax) Act 1967, Real Property Gain Tax Act 1967, Promotion of Investment Act 1986, Stamp Act 1949, and Labuan Offshore Business Activity Tax Act 1990.

63. The objective of tax audit is to encourage voluntary compliance with tax law and regulations and self assessment system and statutory provisions for tax audit. Tax audit may cover from one to three years of assessment and selection of cases is based on risk analysis and information received from third party, specific issues, industries and location. Audit process flow is case-selection, audit planning, field visit, evaluation of issues (quantification of understatement), settlement, and audit report respectively.

64. Measures to enhance public confidence in tax system include providing education and customer services to taxpayers and continuous training of tax auditors besides tax audit manual and tax audit framework to auditors to standardized the field audit activities. Tax audit framework is to assist taxpayers and tax auditors specifying each party's rights and obligations. Taxpayer services are available such as enquiry services (call centre, email); and advisory services (business support services, call out centre). Training for tax auditors is emphasized via theory (3 week course with case analysis, direct and indirect method, estimation method from Japan, net-worth method from IRAS) and practical audit training (simulation) during which a team in a group of 3 or 4 will perform post-mortem of real cases. Data warehouse of tax information is linked with transport department and various financial sources.

65. Issues and challenges in conducting tax audit include adequate record keeping, timeliness, training in new areas (e-commerce, e-auditing) and legality in respect to different methods used. Confidentiality of information obtained from taxpayer is subjected to Section 138 ITA 1967. In conclusion, reform is expected to give a fair, transparent and equitable tax administration system that will enhance public confidence, effectiveness of tax auditors and recently implemented self-assessment system.

5. Myanmar

66. The Union of Myanmar Foreign Investment Law was enacted in 1989 and hence the introduction of amnesty program under Profit Tax Law and Commercial Tax Law. The Inland Revenue Department (IRD) is under the Ministry of Finance and Revenue. The Department comprises nine directorates, each laid down with policies, plans, and programs. There are 15 State and Divisional Revenue offices and 35 District Revenue offices that supervise the activities of 261 Township Revenue offices. Total tax personnel is approximately 3000 and over 30% is involved with assessment. However, currently, self-assessment and VAT tax have not been implemented.

67. The objectives of tax policy in Myanmar are to raise resources to finance government expenditure, attain a balance budget, check economic inflation, and coordinate domestic consumption, investments and savings, reduce gaps between the wealthy and poor, discourage the consumption of some commodities, achieve other desirable goals and invite participation in terms of technical know-how and investment from sources in the country and abroad.

68. Tax reforms include broadening tax base, reduce tax rates, and improve tax administration. The government regulated the function of making assessment from the assessment committee to the revenue officer. Basically there are 15 types of taxes and duties under 4 major ones namely taxes levied on production and consumption; income and ownership; customs duties; and utility of state own properties comprising income tax, profit tax, commercial tax, stamp duty, and lottery tax. Taxes and duties administered by IRD in 2007-2008 was 838,391 billion kyat. The IRD is in charge of corporate income tax, individual income tax, capital gain tax and withholding tax.

69. Minimum income liable to profit tax is K 10,000 for self-employed individuals as most salary earners are far below those earnings. Lottery Tax was first introduced in 1938. The State Lottery Directorate is the only authorized organization to hold lotteries

and collect tax from the sales of lottery ticket. Commercial Tax is similar to VAT / sales tax on luxury goods whilst profit tax is derived from production of goods, transport services and high income earners.

70. Non-compliance is obviously due to the lack of knowledge of taxation, complicated tax system, outdated tax laws, unsatisfactory tax education service, and accounting standards practice. Hence, a pragmatic approach is to address issues of non-compliance such as filing compliance, registration, reporting and remittance compliance besides further advocating cooperation with Certified Public Accountants. With this situation in mind, the accuracy of tax returns needs to be established. Thus, field audit is necessary due to many cases of under reporting.

6. Philippines

71. The Bureau of Internal Revenue headed by a commissioner, under the Department of Finance is 104 years old. There are 4 deputy commissioners namely information system, operation, legal and inspection, and resource management group with its respective tasks provided for under the legislation. Types of taxes include income tax (profit), business taxes (VAT), and excise taxes.

72. Policies on audit include:

I. preliminary approach to investigation comprises:

1. familiarization – business organization, economic activity, and location of the business
2. taxpayer's profile of tax payments (prior years and year under investigation)
3. third party information
 - 3.1 reconciliation of listings for enforcement system (RELIEF)
 - 3.1.1 VAT returns
 - 3.1.2 expanded withholding tax returns.
4. evaluate the degree of internal control/ accounts and records/ accounting methods
5. notes to financial statements

II. Audit procedures and techniques involving:

1. audit of income accounts
2. audit of costs of goods sold
3. audit of expenses – salaries and wages
4. audit of sales and output tax/purchases and input tax
5. audit of other percentage taxes
6. indirect approach to investigation

73. The country of Philippines is one of the first in ASEAN to use the International Financial Reporting Standards. If it is found that tax compliance of particular taxpayers is below the normal or common practice within an industry/profession, then their tax returns shall be selected for audit via a Preliminary Assessment Notice to be responded within 15 days by the taxpayer. Then the taxpayer shall be required to pay the deficiency tax or taxes attributable and in the event of dispute, the taxpayer shall submit the required documents in support of his protest within 60 days from the date of filing or his letter of protest. Thereafter, further appeals may be made to the Court of Tax Appeals within 30 days from the date of receipt of the said decision and a further 30 days upon

the lapse of the 180-day period due to failure of the Commissioner/authorized representative to act from date of submission within a 180-day waiting period.

74. If refund is claimed by businesses, then letter of authority needs to be issued. If import tax is not claimed with the current year of purchase, it is not claimable the following year. Any new third party information upon verification is given a reward of up to a maximum of only 1 million peso (previously 10%).

75. Innovations have been instituted as the bureau is committed to having integrated tax system with the assistance of information technology (IT) for instance, e-complaint can be lodged anonymously on the website (www.bir.gov.ph/), and database systems (registration, collection and bank reconciliation system, returns processing, taxpayer accounting system, returns compliance, case monitoring, accounts receivable, tax reconciliation system, tax credit and refund system, etc). Voluntary Assessment Program (VAP), Tax Compliance Verification Drive, and Tax Amnesty Program are provided with the aim of better compliance among taxpayers in the Philippines.

7. Thailand

76. The Revenue Department of Thailand headquarters in Bangkok has 12 regional revenue offices, 117 area revenue offices, and 848 revenue branch offices with a total staff of 21,507 of which 34.82 per cent is in the supervision teams. Main sources of taxation are from the manufacturing, consumption, construction and service sectors.

77. The Revenue Department provides tax policy and collects more than half of total revenue estimated at 68.2% for financial year 2008. Types of taxes include personal income tax, corporate income tax; value added tax, specific business tax, stamp duties, and petroleum income tax. Self-assessment system is instituted and e-supervision system was introduced in 2001 for the various industry sectors i.e. banking, petroleum related, retail and wholesale businesses to increase compliance with a focus on current year as the slogan depicts "Pay appropriate tax today, no back tax tomorrow". E-Service is provided to taxpayers including e-registration, e-filing, tax knowledge, inquiry and call center service.

78. Taxpayers are classified into 2 groups based on business category and total income as VAT registered taxpayers and non-VAT registered taxpayers. The Bureau of Large Business Tax Administration is responsible for the supervision and examination of large taxpayers with income of 1 billion baht and above. Those incomes less than 1 billion baht are supervised by the Area Revenue offices. The Bureau of the Central Audit Operations is responsible for investigating and processing the utilization of tax invoices for internal usage and performing tax audit if the investigation involves more than one revenue office.

79. Emphasis is on risk management and voluntary compliance. Internal information is gathered from e-search system, management information systems, operational guidelines, knowledge management system, Transaction Control Log System and risk analysis tools for case selection. External information includes information from the e-search and other government departments.

80. Examination procedures involves 4 steps: (1) monitoring the return filing of taxpayers under the system (2) conducting business visit (3) providing tax counseling and advisory (4) database updating on e-supervision system. These are conducted within the procedural case selection, preparatory stage, examination and post-examination process.

81. Improvement is applauded by all quarters to increase efficiency and effectiveness of tax administration and collection, better monitoring of tax performance, broadening tax-base and enhancing voluntary compliance.

8. Viet Nam

82. The General Department of Taxation (GDT) is currently in its third phase of reform (2005-2010) with a more comprehensive agenda of new tax policies, revising existing tax policies and reforming tax administration. Initial phase of reform was during the early 1990s where the General Department of Taxation was established and the second phase in the late 1996 to early 2002 with the removal of discriminatory nature of the tax system in existence. Information gathering and analysis, tax audit, and tax evasions were given attention in the reform in 2004. The current phase is planned with a comprehensive agenda focusing on reforms of tax policies. By late 2006, IT applications of tax administration had been in operation and further strengthened in mid 2007.

83. Issues in the country include taxpayers' compliance, corruption, and investigation. Currently there has been no target set in revenue collection even with an estimate of 60,000 taxpayers in the country. The Ministry of Finance prints the tax invoice (controlled serial number and based on sales invoice), manually and is free. The taxpayer can print their own invoice for VAT but prior approval is needed from the Government. Taxpayer will summarize and submit VAT invoice for the year in addition to tax filing form.

84. Due to many shortcomings of tax management, it is envisaged that improvement and enhancement of tax reforms is very much needed. Information database in ensuring accuracy, cost-effectiveness and a capacity building of human resource are crucial elements in serving both the interests of taxpayers and the government. Staff training, providing information and education to taxpayers and implementation of IT applications in tax administration at various levels certainly are amongst the matters that require immediate attention and assistance.

Wrap-up Discussion on Country Reports

85. Deputy Director of Malaysian Tax Academy, Mr. Saibun Salam, presented a wrap-up discussion on the country reports. He elaborated on the audit support and management information system, legal provision and framework, capabilities of auditors vs tax awareness, audit workforce and organization of tax audit. Each country has its own economic and political circumstances and standard operating procedures. Every country has its risk management techniques and selection method for audit cases with the assistance of IT software and applications. In addition, management information systems practiced in Philippines, Thailand, and Malaysia reflects the level of pragmatic edge compared to Cambodia, Indonesia, Lao PDR, Myanmar, and Viet Nam. Participating countries noted that effective data and information management is a key

success factor in enhancing case selection. The participants notably agreed that computer audit is a core tool in generating case selection and reporting.

86. Participants are committed to learning about and from other participants, exchanged ideas and discussed future seminars. At issue is the tax compliance level, transparent audit procedures and fairness where it is every country's desire to bring to the forefront of driving the right attitude and tax obligation among citizens. It was noted that legal provisions and framework ought to provide the necessary authorities to perform tax and audit functions without abuse to sanction procedures and penalties so as to enhance compliance. By the same token, the taxpayers should also be accorded legal protection.

87. Training of auditors is another aspect to be given continuous consideration for professional development in equipping the necessary skills and knowledge whilst maintaining high credibility and integrity in performing their tasks efficiently and effectively. Education programs and upgrading of customer support and services have to be made available from time to time to the taxpayers. Countries in the region are encouraged to adopt and adapt the model practices from Singapore which have proven to be effective, efficient, and established.

Evaluation

88. The evaluation session was carried out by both ADBI and MTA with questionnaires distributed to gauge the participants' perspectives on the seminar, moderated by **Mr. Teruo Ujii & Professor Hiroaki Ogawa**. Objectives of the seminar and the composition of various information and country reports were evaluated. The organization of the seminar, sessions, preparation and logistics were elements evaluated upon. Comments were appreciated and important for future facilitation and interests for the coming events for tax administrators. Some topics were also suggested for the following year. The seminar concluded with a positive mindset embarking on better mechanisms, resource mobilization and inquiring into the ability of existing instruments in meeting future needs.

**Tax Administration Seminar V:
Tax Audit/Examinations for Enhancing Fairness in Taxation
Malaysian Tax Academy, Malaysia (24-26 June 2008)**

Program Content

Day One

24 June 2008

0900 – 0940	Registration
0940 – 1000	Orientation/Self-Introduction of participants (Mr. Teruo Ujiie, Senior Capacity Building Specialist)
1000 – 1030	Coffee break
1030 – 1130	Keynote speech: Improving Tax Compliance for SME (Mr. Yosuke Muramatsu, Director International Cooperation Group, NTA)
1130 – 1245	Information management and examination case selection (Professor Hiroaki Ogawa, NTA Assistant Professor Takako Imai, NTA)
1245 – 1400	Lunch break
1400 – 1530	Approaches and examination techniques including indirect income measurement methods (Professor Hiroaki Ogawa, NTA Assistant Professor Takako Imai, NTA)
1530 – 1630	Opening ceremony Welcome address (Mr Teruo Ujiie, Senior Capacity Building Specialist, ADBI) (Mr. Yosuke Muramatsu, Director International Cooperation Group, NTA) Opening and Officiating address (Dato' Hasmah binti Abdullah, CEO/DGIR, IRB, Malaysia)
1630 – 1700	Group photo session/tea reception
2000 – 2200	Reception hosted by ADBI

Day Two

25 June (Wednesday)

0900 – 1030	Improving examiner capabilities (Mr. Adzhar Sulaiman, Director, Investigation Dept, IRB Malaysia)
1030 -1100	Coffee break
1100 -1230	Taxpayer services and guidance for SME (Ms. Lee Imm, Member of the Chief Compliance Office, IRAS, Singapore)
1230 – 1400	Lunch break
1400 – 1530	Use of IT for examination activities (Ms. Tipawan Chayutimanta, Senior Tax Auditor, Thailand Revenue Department)
1530 – 1545	Coffee break
1545 – 1700	Country reports on tax audit/examinations (Representatives from Cambodia, Indonesia, and Lao PDR)
2000 – 2200	Reception hosted by NTA

Day Three
26 June (Thursday)

0900 – 1030	Country reports on tax audit/examinations Representatives from Malaysia, Myanmar, and the Philippines
1030 -1100	Coffee break
1100 – 1230	Country reports on tax audit/examinations Representatives from Thailand, and Viet Nam
1230 – 1400	Lunch break
1400 – 1500	Wrap-up discussions Moderator: Mr. Saibun Salam Deputy Director, Malaysian Tax Academy
1500 – 1530	Coffee break
1530 – 1630	Evaluation of the Seminar Moderator: Professor Hiroaki Ogawa, NTA
1630 – 1700	Closing ceremony Representatives from MTA, NTA, and ADBI
2000 – 2200	Farewell reception hosted by MTA



Participants of Tax Administration Seminar V and Staff of Malaysian Tax Academy
Opening Ceremony: 24 June 2008

List of Participants:

No.	Name	Country
1	Bun Thoeurn Pan	Cambodia
2	Noch Muth	Cambodia
3	Ratana Eng	Cambodia
4	Boy Abrar Tamin	Indonesia
5	Leli Listianawati	Indonesia
6	Pertiwi Eka Sari	Indonesia
7	Doavala Phommala	Lao PDR
8	Phouthasack Phommachack	Lao PDR
9	Vanphaxay Keosomphan	Lao PDR
10	Hlaing Shwe Tin	Myanmar
11	Myint San	Myanmar
12	Myint Soe	Myanmar
13	Robert Ammugauan Baquiran	Philippines
14	Regina Camarillo Dela Cruz	Philippines
15	Fely Cantado Simon	Philippines
16	Imm Lee	Singapore
17	Piramon Mugdasanit	Thailand
18	Ratana Pechvijitra	Thailand
19	Varanuch Orapinpong	Thailand
20	Huyen Thi Thu Le	Viet Nam
21	Lan Thi Phuong Ta	Viet Nam
22	Trung Tien Nguyen	Viet Nam
23	Syed Mohri Syed Aby Bakar	Malaysia (Royal Malaysian Customs)
24	Farah Dhiba Ahmed A Salleh	Malaysia (Ministry of Finance)
25	Rozita Mokhtar	Malaysia (IRBM)
26	Wan Muzaffar Wan Nilam	Malaysia (IRBM)