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DOTGazette

SAARC Conference SPECIAL EDITION

# SAARC Conference

The eight South Asian countries, comprising SAARC, constitute 23.4% of world population in just 2.96% of land mass. It is a geographically congruent and historically interwoven region that has lately been showing a relatively high GDP growth.

Over the last decade, cross border transactions have increased dramatically and so has the free movement of capital and correspondingly, taxation, to be effective, has to go Global. Moreover over the last 15 years quite a number of MNCs have made huge investments in this region. Individuals and companies in this area are also increasingly trading and investing in each other's countries. Resultantly the Tax Authorities of the countries are facing problems in tackling the issues of tax evasion by entities and individuals declaring false transaction values.

The increasing interplay between the taxation systems of different countries of the world is about to give birth to a New World Order in international taxation and finance, in which borders will be reduced to mere lines, etched on maps and the movement of money, trade, commerce and taxes will increasingly become fluid. And the more fluid it becomes the more difficult it is to manage and contain.

Most of the developed countries have already devised and resorted to cooperative measures for exchange of information to ease the difficulties and make taxation more effective and judicious, while among the South Asian countries, there are hardly any channels or any mechanism in place for Exchange of Information on tax and pecuniary matters and scant awareness about the opportunities that can open up if the channels of cross border regional cooperation in these matters are thrown open.



AMINA HASSAN

This emerging scenario, coupled with challenges of an increasing global trade, had necessitated a closer cooperation and Exchange of Information by the Tax Authorities of the eight South Asian countries that constitute SAARC.

Keeping this in view, the Federal Board of Revenue of Pakistan and the SAARC Secretariat decided to hold a conference on Exchange of Information (EOI) / Large Taxpayer Units, to look into the need and scope of regional cooperation in pecuniary and tax matters. as also to work out legal and operational means to increase cooperation and exchange of information in the region in the realm of taxation.

The Conference was held in Lahore, at the Directorate General of Training and Research, Inland Revenue, (DOT) from 7 to 11 April 2014. Eighteen delegates for the conference from seven countries of SAARC were warmly received by the protocol officers specially designated by DOT.

Nature also conspired with us in making the conference a success, by a pleasant change in weather, giving us seven splendid April days. Spring, a time of revival and rebirth, acquired a metaphoric significance for us at DOT, this year, as it brought in its wake the birth of a new phase of warm and cordial relations between the SAARC countries.

The seeds of trust, hope, expectations and mutual cooperation resting in their 'dark wintry beds' began to sprout; like frozen water changing into gushing streams, the ice of mistrust and alienation melted away before the warmth of such person to person contact; and finally as spring marks the end of hibernation and beginning of a period of brisk activity, the SAARC Conference will hopefully herald a new phase of active and fruitful regional cooperation.

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# The Inauguration Session

**The Inauguration Ceremony of the conference was held on the morning of 7th April, which was a well-attended function, with the Chairman FBR as the Chief Guest. The Director General, DOT and the Chief Guest addressed the gathering.**

The DG, DOT gave a historical overview of South Asia and the common heritage shared by the countries of the Region. She also dwelled on the history of the SAARC Organization and how the SAARC policies aimed to promote welfare economics, self- reliance among the countries of South Asia and acceleration of socio-cultural relations around the world.

She also mentioned that SAARC had established permanent diplomatic relations with EU, UN (as an observer) and other multi-lateral entities. Moreover countries like China and Burma had expressed interest in establishing special relations with SAARC while Russia and Turkey had applied for Observer States Membership of SAARC.

**The Chairman FBR in his Address, talked about the importance of taxation in an age of cross-border movements of capital.** He was of the opinion that taxation can ensure that capital is only deployed for the lawful profit making purposes and not for harmful practices. Multinational presence of businesses had given them the ability to shift profits from one place to another in order to avoid taxes, which in his opinion, could only be curbed through taxation.

**However, he said that taxation system of a country alone could not check the base erosion and profit shifting of business unless there was cooperation between various countries.** The world realized this hard truth a long time ago and developed legal instruments known as bilateral treaties which tried to sort out conflicts between two countries as well as provided a mechanism for sharing of information regarding cross-border shifting of profits in order to avoid taxation. The SAARC countries, he said, need to progress further in this area.



At the end of the inaugural ceremony there was a round of introductions of all the delegates. After introduction of the delegates of each country, its National Anthem was played, which lifted the spirits of the entire assembly.




















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## First Day Academic Sessions:

# A discourse on Framework for Exchange of Information in International Taxation Treaties

The three Academic Sessions, on the First Day were about the "Framework for Exchange of Information (EOI) in International Taxation Treaties".

In the very first of his three sessions, Mr. Ahmad Khan broke the ice by involving the delegates in a very interactive first hour. The three sessions, gave a broad brush idea to the delegates, all at varying levels of understanding, of the issues at hand.

During the course of the sessions, about the Framework for Exchange of Information (EOI) and later about International Taxation Treaties, he stressed or skipped certain details according to the level of awareness of the participants.

The Resource Person was Mr. Ahmad Khan, a graduate of the International Tax Program, Harvard Law School, Cambridge MA, USA, with thirty-five years of high-level public financial management experience with the Civil Services of Pakistan; his areas of expertise being tax policy and administration, tax reforms, negotiation and implementation of tax treaties, competition policy and law at both national and international level.













He began by talking about the Instruments Providing Legal Framework for Exchange of Information, dwelling on the much quoted, articles 26 and 27 of the OECD Model and moved on to the forms of EOI, followed by a discussion on the scope of EOI, the obligations and confidentiality of EOI and finally the limitations to this Exchange.

The later half of the session gave the delegates an overview of the Cross Border Transactions and role of Tax Treaties, with special emphasis on the objectives of Tax Treaties, major concepts under Tax Treaties and the rules governing their interpretation. Concept of double taxation and scope of double taxation agreements was also briefly explained as well as the concept of residence, key factors in determining a place of effective management and the rules governing Interpretation of Tax Treaties.



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## Second Day's first Academic Session on Mechanisms for Handling EOI with special emphasis on the three categories of: Information on request, Spontaneous exchange of Information and Automatic Exchange of information





The Resource Person was Dr. Tariq Masud, Commissioner Inland Revenue Karachi, with shining credentials; an MBA from University of Hawaii (USA) & LLM, with emphasis on Taxation Laws, from Harvard Law School, vast experience of successfully defending important cases before the Supreme Court, member of many FBR teams for drafting of tax laws and legal reforms, experience of attending several training programs in Germany & UK and representing Pakistan at International forums.







In his engaging session Dr. Tariq stressed that in a globalized economy, cooperation between tax administrations was critical in the fight against tax evasion and the key aspect of that cooperation was Exchange of Information leading to tax transparency.

The session involved meaningful discussion on the Laws in individual SAARC Countries. There were references to the Convention on Mutual Administrative Assistance in Tax Matters and the Global Forum on Transparency and Exchange of Information for Tax Purposes as well as the EOI Portal. The Foreign Account Tax Compliance Act (FATCA), enacted in 2010 by the US to target non-compliance by U.S. taxpayers using foreign accounts, generated some animated debate



Dr. Ishrat Hussain
Former Governor of
State Bank of Pakistan

Dr. Ishrat Hussain, a distinguished former Governor of Pakistan's Central Bank, with a Master's degree in Development Economics from Williams College and Doctorate in Economics from Boston University, who also served as the World Bank Chief Economist for Africa and Director Poverty and Social Department, apart from being named as the Country Director for Central Asian Republics.

## Taxation in South Asian Countries
## Key note Address by Dr. Ishrat Hussain

The Second Session, "Taxation in South Asian Countries", was a Key note Address by Dr. Ishrat Hussain, a distinguished former Governor of Pakistan's Central Bank.

The forceful keynote Address gave a holistic picture of the state of taxation in South Asia; where the current taxation systems, according to the speaker, are under performers and largely inefficient, inequitable, regressive and distortive; where incidence of Taxation is still regressive, dominated by indirect taxes such as Sales Tax, Custom duties and Excise and Direct taxes are collected mainly as presumptive taxes because of the lack of documentation

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## Third Academic Session on Second Day

# "Need for EOI within SAARC Countries with special emphasis on Monitoring & Enforcement of taxation of Multi-National Companies (MNCs)"

The Session was meant to, and succeeded, in sensitizing the delegates, with a telling quality, about the need for more cooperation and flow of information within the SAARC countries, for mutual benefit.

The opening note of the session was a comparison of the South Asian countries with the rest of the World viz-a-viz economic indicators like revenue performance, public expenditure and tax to GDP ratios, along with comments on the causes and reasons that were responsible for the near alarming picture. Then the need for the South Asian countries to broaden Tax Base for Inclusive Growth was spelled out and how the SAARC Countries can handle the threat of Base Erosion.

Transfer pricing mechanisms and measures adopted by the developed countries to prevent untaxed profit outflows from their borders, such as general anti-avoidance rules, thin-capitalization rules, specific transfer pricing legislation, and controlled foreign company (CFC) rules were also discussed.

It was pointed out that a key issue in the administration of transfer pricing rules was the asymmetry of information between taxpayers and tax administrations, which potentially undermines the administration of the arm's length principle and enhances opportunities for BEPS. Tax administrations have little capability of developing a "big picture" view of a taxpayer's global value chain. Moreover divergences between approaches to transfer pricing documentation requirements lead to significant administrative costs for businesses and the EOI about Residents of other SAARC Countries could help the country of residence in determining the global income of such residents.

Likewise the sharing information about prices of goods & services of MNCs in the region as well as exemptions /preferential rates extended to MNCs, could counter abusive transfer pricing. Finally the advantages of EOI were discussed as well as the requirements of SAARC Multi-Lateral Agreement.

The resource person was Dr. Hamid Ateeq, CIR, Large Tax Payers Unit, Lahore; a medical Graduate from King Edward Medical College, with a Master's Degrees in Economics and an Executive MBA degree from LUMS; as well as a Master's degree in Transnational Crime Prevention with distinction, from University of Wollongong, NSW Australia; with additional credentials including expertise in teaching Tax Laws; experience of serving as teaching faculty at Civil Services Academy and extensive knowledge about Audit of MNCs and non-residents.











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and ease of collection, which creates a big wedge between potential and actual tax collection.

The Officers of the SAARC Countries were advised to help accelerate their economic growth rates, requiring both public and private investment. The speaker was of the opinion that Governments by collecting taxes in a progressive incidence mode can complement private investment and Taxation reforms can broaden tax base, simplify tax administration and procedures, use technology platforms and minimize tax exemptions and tax holidays to make a significant difference.

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# Constellation of Delegates, Organisers and Liaison Persons


**M. Shahryar Momand**
Executive Assistant to Minister of Finance
Ministry of Finance
AFGHANISTAN


**Abdul Basir Laghmani**
LTO Officer
Ministry of Finance
AFGHANISTAN


**Md. Shah Ali**
Joint Commissioner of Taxes, Large Taxpayers Unit, Dhaka
BANGLADESH


**A. S. M. Ashraf ul Islam**
Joint Commissioner of Taxes, Dhaka
Large Taxpayers Unit
BANGLADESH


**Md. Ashraful Islam**
Second Secretary
National Board of Revenue,
BANGLADESH


**Sonam Dorji**
Joint Commissioner,
Income Tax Division
Department of Revenue and Customs, BHUTAN


**Santosh Bhattarai,**
Joint Commissioner,
Income Tax Division
Department of Revenue and Customs, BHUTAN


**Kinzang Dorji**
Tax Officer, Income Tax Division, Department of Revenue and Customs
BHUTAN


**Mrs. Garima Bhagat**
Additional Director
Income Tax
(International Taxation)
New Delhi, INDIA


**Premanand J.**
Under Secretary
(FT&TR-V), Central Board of Direct Taxes
INDIA


**D. K. Mahajan**
Deputy Director of Income Tax,
(International Taxation)
INDIA


**Moosa Haleem**
Manager, Compliance
Maldives Inland Revenue Authority, MALDIVES


**Aishath Nazeera Moosa**
Senior Officer,
Inland Revenue Authority
MALDIVES


**Lekhnath Sharma**
Director
Inland Revenue Department
NEPAL


**Biswa Raj Pandey**
Chief Tax Officer,
Large Taxpayers Office,
Inland Revenue Department, NEPAL


**Muhammad Tarique Ch.**
Chief (Legal-II)
Federal Board of Revenue
PAKISTAN


**Muhammad Waseem Altaf**
Commissioner Inland Revenue, Large Tax Payers Unit
PAKISTAN


**Abdul Waheed Khan**
Additional Commissioner Inland Revenue,
Large Tax Payers Unit,
PAKISTAN


**Zia Agro**
Additional Commissioner Inland Revenue,
Large Tax Payers Unit,
PAKISTAN


**Girdhari Mal**
Additional Commissioner Inland Revenue
Large Tax Payers Unit
PAKISTAN


**Nadeem Ahmad Tahir**
Deputy Commissioner nland Revenue
Regional Tax Office
PAKISTAN


**R. K. C. Chithralatha**
Commissioner
Department of Inland Revenue,
SRI LANKA


**P. G. Lalith**
Assessor
Department of Inland Revenue,
SRI LANKA


**A. K. Hettiarachchi**
Assessor
Department of Inland Revenue,
SRI LANKA

## Conference Recommendations

- More multilateral cooperation by establishing a SAARC Portal for information sharing remaining within the ambit of the 2007 agreement
- Circulars / instructions issued by individual tax administrations may be made available in the SAARC Portal. The same should be updated regularly at the CA meetings
- Important judgments and orders in respect of international tax issues may be placed on SAARC portal for sharing with member countries
- Negotiating and concluding a SAARC Tax Information Exchange Agreement (TIEA)
- Standardized provisions in domestic laws for seeking of information
- Standardized provisions in domestic laws for information sharing
- Simultaneous tax examination under bilateral tax treaties

### *The much liked Protocol Officers of the Conference!*


Sajjad Sadique


Muhammad Sulaiman


Muhammad Adnan


Faheem Dhariwal


Shahzeb Bashir


Imran Yusuf

- Conceptual framework of the Intellectual and administrative structure of the Conference
- Developing the themes, topics and scope of the Academic sessions


**Amina Hassan**
Director

- Selection of and liaison with the resource persons
- Planning and preparation of the daily timetable and evening activities
- Moderator for the daily classroom sessions / activities
- Writing and designing of all printed material.

- Execution of all administrative activities of the Conference
- Handling of all financial matters related to the Conference
- Handling of Protocol, security, transport and mess arrangements
- Coordination and supervision of staff assigned specific duties


**Naveed Ahmad Nawab**
Additional Director

- Serving as chief protocol officer
- Handling and Supervision of all protocol and liaison duties
- Assisting the senior officers in execution of the planned activities
- Coordinator of all scheduled evening activities


**Waqas Ahmad Langah**
Deputy Director

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# Visit to LTU, Lahore...

***Briefing on:* "Federal Taxation Structure in Pakistan and Working of LTUs"**

On the third day the Delegates visited the Large Taxpayer's Unit, Lahore as guests of the Chief Commissioner LTU, Mr. Mustafa Ashraf. They were briefed by Dr. Hamid Ateeq, Commissioner, LTU, about the "Federal Taxation Structure in Pakistan and Working of LTUs".

The detailed presentation started with an introduction about formation of Large Taxpayer Units and the factors which necessitated the need for extensive Reforms and Restructuring of the Federal Board of Revenue. This was followed by a delineation of the Concept behind LTUs and their working, zooming in on the LTU Lahore. The outcome of reforms was discussed and the lessons learnt from the experience, before dwelling on the way forward.





















"*Trade has increasingly become global. So has taxation. It no longer suffices to be cognizant of the tax rules of one given country but how multi-country rules interplay. The same holds true for tax compliance. It is no longer enough to be observant of tax obligations of one given country and ignore the correlative effects in others.. Similarly, decisions on tax matters are no longer circumvented to local courts. Complex, cross-border issues may be better dealt with through the competent authority procedure between or among countries.*
(A Latin American study of 2010, on Exchange of information and competent authority procedures)

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## Concluding Session on "Exchange of Information (EOI) at International level and New Horizons", followed by country reports

The interactive sessions deftly delineated the Shift from Bilateralism to Multilateralism and stressed that tax evasion was a Global problem needing a Global solution. The presentation began with a detailed overview of the Historical Perspective and important landmarks that dot the landscape of the recent developments in the arena of international Taxation with special emphasis on Tax havens, Model TIEAs, The ups and downs in the area of banking secrecy. The new International Standard on Exchange of Information and its limitations were discussed, as well as the broader international consensus on enforcing the Standard EOI.







The Resource Person was Mr. Muhammad Ashfaq Ahmed, Chief International Taxes FBR, a Masters' degree holder in Economic Policy Analysis, whose area of expertise is International Taxes & Treaties, along with a varied experience of working in Ministry of Finance, dealing with external finance matters.



The features of the Global Forum on Transparency and EOI for Tax Purposes, the essential elements of Exchanging of Information, Peer Reviews, FATCA Mandates, EOI under the Multilateral Convention on Mutual Administrative Assistance in Tax Matters and concept of Regionalism in Exchange of Information were reviewed and the Common Reporting Standard (CRS) as well as Tax Administration Diagnostic Assessment Tool (TADAT), were also touched upon.

## Closing Ceremony

The closing ceremony was held on the morning of 11th April. It was presided over by the Member Administration, FBR, Mr. Shahid Jatoi. Address by the DG, DOT, was followed by the Conference Resolution. Certificates, shields and souvenirs, were given away and there was a round of vote of thanks by the Delegates before the formal closing remarks by the Chief Guest, who applauded the efforts of the DG DOT.





**Country Reports** were presented by the delegates, on the "Existing Mechanism of EOI & Way Forward for more Avenues of Cooperation within SAARC Countries". The informative, lively and interactive session, moderated by Dr Tariq Masood and Muhammad Ashfaq Ahmed, concluded with drafting of a conference Resolution.















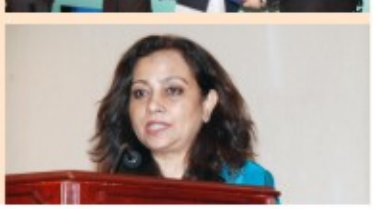

# Visit of the Historical Places and Walled City of Lahore










In the afternoon of the third day, a visit of the historical places and Walled City of Lahore had been planned.

The guided tour of the walled city started from **DELHI GATE**, Lahore giving the delegates an opportunity to see this famous gate of Lahore, built by third Mughal Emperor Akbar.

Next the delegates visited **SHAHI HAMAM**, built by Wazir Khan in 1633 A.D. during the era of Shah Jehan. The walls and roofs of the Hamam had exquisite floral paintings, while the roof centers had natural light openings. Along the sides water ran in cascading fashion in specially designed sitting areas and there were special heating arrangements.

**MASJID WAZIR KHAN**, built 1634-1635 AD, during the reign of Mughal Emperor Shah Jahan, built by Hakim Aliuddin the Governor of Punjab, commonly known as Wazir Khan also fascinated the visitors specially because of its beautiful and complex tile work and fresco paintings.

**LAHORE FORT**, the grand monument representing different phases of development of Mughal architecture which gained prominence during the reign of Emperor Akbar, who demolished the old mud fort and constructed a new one with brick masonry, captured the fancy of the delegates.

The activity ended with a traditional food dinner at the exotic **HAVELI RESTAURANT**, on the Fort road food street overlooking the grand Badshahi Mosque.

At dinner time the delegates were also offered a feast of a mix of famous and traditional songs, to the tune of which the participants could not resist the temptation of swaying and dancing.










## Evening Activities / Visits:

# Village Restaurant, Mall of Lahore and PC Bukhara

The evening tea on the first day was served at DOT and in the evening the delegates were taken to the **Village Restaurant.** where the, Vice President, SAARC Chamber of Commerce and Industry, Mr Iftikhar Malik, had hosted a dinner in their honor. The astounding variety of the local cuisine and the live music by traditional singers enthralled the foreign delegates.








In the evening on the second day the delegates were taken to the **Mall of Lahore** for a shopping trip, followed by a dinner, hosted by the Ministry of Foreign Affairs, at the Bukhara Restaurant of Pearl Continental Hotel. The delegates were fascinated by the modern and chic look of both these places. The Mall was declared to be very expensive by the majority of the delegates, who only bought some souvenirs, but the Afghan delegates were found shopping for gadgets, oblivious of the prices!














The grandeur of the **Pearl Continental Hotel** Lahore impressed the guests; the cuisine and the variety of dishes at **Bukhara restaurant** were amazing for most of them and so was the décor.

The vintage historic car in the lobby of Crystal Hall was a center of attraction, and almost everyone, including this scribe, were photographed with it!

# SAARC Cultural Night















On the eve of the last day, a SAARC Cultural Night was organized at DOT. There was a traditional dinner in the lawns, which were lit up and tastefully decorated. A slide show displaying exotic pictures from the South Asian countries was run on the projector screen. The dinner, which also offered fancy and exotic dishes from different countries of South Asia, was followed by music and cultural program in the Auditorium in which many of the delegates, all attired in their native, traditional dresses, sang songs and some even danced to the tune of folk songs.

The lively bunch of our young protocol officers of 40th Common, presented Traditional Sindhi Ajraks to the delegates, each personally donned their own delegates with whom they were attached though only on paper but the way they 'owned' their guests , wholeheartedly, earning mutual goodwill was heartwarming indeed!