

49th SGATAR ANNUAL MEETING
Yogyakarta, Republic of Indonesia
23 – 25 October, 2019



Annual Meeting Summary

1. The Heads of Delegations (HODs) of the Study Group on Asian Tax Administration and Research (SGATAR) from tax administrations of seventeen (17) member jurisdictions have convened in Yogyakarta, Republic of Indonesia, for the 49th SGATAR Annual Meeting, on 23-25 October 2019.
2. The 49th SGATAR Annual Meeting is held in accordance with the SGATAR Operating Framework.
3. The body Delegates has a comprehensive understanding of SGATAR's mission and objectives and has a strong commitment to accomplish the mission and objectives.
4. The HODs considered and endorsed the following recommendations from the SGATAR Taskforce, which is chaired by the People's Republic of China, with Indonesia and Japan as members:
 - a. Capacity Building
We hope that the next SGATAR Taskforce will continue to complete SGATAR training needs analysis survey and inform the members of the results in the first quarter of 2020. According to the survey, we will identify the five topics that SGATAR members are most concerned about in the next three years and inform the relevant international organizations, and further cooperate with them to seek capacity building assistance for SGATAR members. SGATAR members will further strengthen coordination and sharing of capacity building resources.
 - b. Future of SGATAR
In order to further enhance the influence of SGATAR and improve the operation mechanism of SGATAR, after more than two years of efforts by the SGATAR Taskforce, the research on the future of SGATAR was successfully completed with the support of all member jurisdictions. We agree to abide by the abbreviation of SGATAR and add the word "Pacific" to the full name to more accurately indicate the current membership; agree to appoint an official of each member jurisdiction to be the representative responsible for the work of SGATAR; to convey the voice of SGATAR to the international community; agree to use English as the working language of SGATAR; agree to establish three specific technical bodies, including International taxation, large business and high net wealth individuals and information communication and technology.
 - c. Ease of doing business
Regarding the communication with the World Bank on improving the Paying Taxes indicators of the Ease of Doing Business report, the HODs agreed to submit the report prepared by the Taskforce to the World Bank and follow up on the progress in a timely manner to inform member jurisdictions.
5. The study on the future of SGATAR shows most of the SGATAR member

jurisdictions expressed satisfaction with the achievements of SGATAR to date, thus, chose to maintain the status of SGATAR as it is, including: the acronym, rules of membership, requirements for permanent observers, the operating framework, no permanent secretariat, and no contributions by member jurisdictions. Nevertheless, majority of members highlighted the need to change, the component of SGATAR and the importance to make sure that every member has designated an official as a representative to SGATAR. In addition to that, some topics deserve attention and further discussion, which are: (i) relay its Members' views to international for a; (ii) state English as the working language on the Operating Framework; and (iii) establish specific technical bodies for international taxation, large business and high wealth individuals, and information communication and technology.

6. The HODs affirm that boosting tax revenue and stimulating economic sustainability and growth are able to be achieved through a comprehensive tax administration reform. The reform covers important pillars, information technology, database collection and utilisation, digitalised-service, legal framework amendment, human resources development, and reshaping organisation structure. Furthermore, tax administration reform is a necessity in facing the global challenges, digital economy and base erosion and profit shifting. All SGATAR member jurisdictions are looking forward to the OECD/G20 Inclusive Framework global consensus in digital economy taxation in 2020 in tackling such challenges.
7. The HODs also endorsed the recommendations of the three SGATAR Working Groups:

Topic I: Transfer Pricing

Noteworthy points of the discussion in the Working Group I are the following:

- For transfer pricing analysis, most SGATAR members generally follow the OECD Transfer Pricing Guidelines. In cases where determining the individual transaction price or analyzing profits is practically impossible, or transactions are so closely combined, the aggregated approach is considered to be more appropriate;
- Generally, in the selection of comparables, most SGATAR members prefer the use of internal comparables. However, they recognize that internal comparables may not always be more comparable than external comparables. In the situations where sufficient reliable local comparables cannot be found, they may expand their search to regional comparables;
- Most SGATAR members' do not have secondary adjustment rule. In order to adjust excess profit in accordance with primary transfer pricing adjustment, some jurisdictions consider this as constructive transaction whereby the excess profits are treated as either constructive dividends or constructive loans; and
- Most SGATAR members have MAP and APA mechanisms in place to help taxpayers resolve and prevent international tax disputes. However, some jurisdictions do not have dedicated unit in handling the MAP case or the APA proposal.

The Delegates of Working Group I recommend for encouraging the possibility to establish a joint database covering a region, such as the ASEAN database or the Asia Pacific database by gathering the data in each member jurisdictions.

Topic II: Automatic Exchange of Information

The Delegates of Working Group II make the following recommendations:

- Core Requirement 1: ensuring all Reporting Financial Institutions to conduct the due diligence and reporting procedures in the CRS:
 - To identify FIs, SGATAR members would typically *match their list of CRS registrants or those FIs that have filed CRS returns with the tax administrations against various regulatory listings*;
 - To ensure Excluded Accounts meet the CRS requirements, SGATAR members would *monitor changes in the relevant requirements and regulations* covering such accounts, and conduct risk-assessment to ensure such accounts remain low risk for tax evasion;
 - To ensure that FIs perform their due diligence procedures correctly and comply with their domestic CRS requirements, SGATAR members would *adopt a judicious balance of both upstream and downstream compliance activities*, such as building awareness of the CRS and its requirements, providing technical assistance, performing risk-based audit reviews and enforcement;
 - In terms of measures and procedures to address errors or non-compliance, SGATAR members would *incorporate validation checks in their IT systems* that will validate CRS files and records received from FIs; and
 - To deter non-compliance by FIs and account holders, SGATAR members would have enforcement provisions in their domestic law.
- Core Requirement 2: strategies to ensure effectiveness:
 - ensure the effectiveness of bilateral CRS exchanges;
 - adopt the approach taken in the OECD's Common Approach to CRS Record Validations; and
 - use "fuzzy" matching techniques to improve the data quality.
- Core Requirement 3: confidentiality and data
SGATAR member jurisdictions acknowledge the importance of keeping CRS data received from partners confidential and properly safeguarded as required under the international legal framework in which the CRS exchanges take place.

For SGATAR member jurisdictions that have not implemented the AEOI:

They understand the importance of CRS in combating tax evasion, and some of them are targeting to implement the CRS in the next few years. Hence, they must ensure to put all requirements in place.

Topic III: Tax Simplification:

Tax Simplification, that brought updates on its positive correlation with tax compliance and the adoption challenges, and what should be expected for future development.

8. The body delegates unanimously select Japan as the host for the 50th SGATAR Annual Meeting and Malaysia as the 51st SGATAR Annual Meeting.

9. The 2020 SGATAR Taskforce will be chaired by the Republic of Indonesia, with Japan and Malaysia as its members. The SGATAR Taskforce shall conduct its work in accordance with the SGATAR Operating Framework.