

50th SGATAR MEETING

26 - 27 October 2021
16-17 November 2021

Annual Meeting Summary



- 1 The Heads of Delegations (HODs) of the Study Group on Asia-Pacific Tax Administration and Research (SGATAR) from the eighteen (18) tax jurisdictions members gathered virtually at the 50th SGATAR Annual Meeting.
- 2 The HODs welcomed Lao People's Democratic Republic as a new member.
- 3 The HODs considered and endorsed the following recommendations from the SGATAR Taskforce, which is chaired by Indonesia, with Japan and Malaysia as members:
 - Future of SGATAR
The HODs endorsed the following amendments on the SGATAR Operating Framework
 - a. Modification on SGATAR's full name as "Study Group on Asia-Pacific Tax Administration and Research", which can still be shortened as SGATAR.
 - b. The appointment of an official from each SGATAR member as a designated representative
 - c. To convey the voice of SGATAR to the international community
 - d. The use of English as working language
 - e. The host member jurisdiction may propose postponement of the Annual Meeting
 - Responses to COVID-19
 - a. The HODs endorsed the "Report on Tax Administration Responses to COVID-19", which summarizes SGATAR member jurisdictions' responses to COVID-19, as the final product of the programme.
 - b. The HODs recognized the importance of digitalization of tax administrations in the aftermath of the COVID-19 pandemic, and endorsed the recommendation from the SGATAR Taskforce to set "the Digitalization of Tax Administrations" as an Annual Work Programme for next year.
 - Capacity Building Plan
The HODs endorsed the following recommendations from the SGATAR Taskforce:
 - a. The next Capacity Building Plan covers a period of five years instead of seven years from 2023-2027.
 - b. The new Capacity Building Plan will be presented for endorsement at the 51st SGATAR Annual Meeting in 2022.
 - c. The topics for 2022 under the existing Capacity Building Plan to be reviewed.
 - d. The pledge of support by Asian Development Bank (ADB) to SGATAR on its Capacity Building Plan as part of the initiatives under the ADB Asia Pacific Tax Hub to be accepted.
- 4 The HODs also endorsed the recommendations of the three SGATAR Working Groups:

Topic I: Transfer Pricing: the transfer pricing implications of the COVID-19 pandemic

The Delegates of Working Group I made the following recommendations:

- Tax administrations should endeavor to achieve consistency with the OECD’s “Guidance on the transfer pricing (TP) implications of the COVID-19 pandemic”. Such alignment would seek to provide tax certainty for taxpayers with cross-border related party transactions and prevent the TP disputes that occur when tax administrations hold different views on how the arm’s length principle should apply to the related party transaction.
- Tax administrations, to the extent possible, should proactively engage taxpayers to understand the COVID-19 related TP issues faced by them and consider additional domestic guidance on these issues. Tax administrations could also consider public endorsement of the OECD’s “Guidance on the transfer pricing implications of the COVID-19 pandemic” to provide clarity and certainty to taxpayers.
- Tax administrations may consider simplifying administrative processes/ requirements for filing of APAs (especially for cases involving COVID-19 issues). Providing guidance to taxpayers with regards to the information (relating to COVID-19) to be provided in an APA application would also be considered helpful.
- Tax administrations should be pragmatic when conducting tax audits especially where taxpayers had exercised good faith in determining the arm’s length prices amidst information deficiencies. TP issues arising from COVID-19 could result in increased TP disputes and potentially more MAP applications that may strain the resources of tax administrations and taxpayers.
- Tax administrations should consider effective Mutual Agreement Procedure (“MAP”) discussions for TP disputes arising from COVID-19. By doing so, these discussions would be an avenue for tax administrations to address the issues in a non-adversarial manner and minimize / eliminate double taxation for taxpayers.
- Delegates recommended that TP remains as a study topic next year and consideration to be given to examining training topics identified by member jurisdictions such as:
 - “Benefit Test” issue for intragroup services and its application to achieve common understanding among jurisdictions and taxpayers.
 - Sharing of experiences by jurisdictions relating to COVID-19 issues encountered in actual TP cases and approaches taken to address the issues.

Topic II: Ensuring tax compliance of large/multinational enterprises

Large multinational enterprises are more important to the global economy now than they have ever been before. Ensuring the tax compliance of these enterprises has become an area of increased focus for tax administrations around the world. Often given the size of these enterprises and the issues they face means that tax administrations are required to take a specialised approach.

The discussion from WG II highlighted the following:

- Firstly, all member administration recognise the importance of ensuring the tax compliance of large multinational enterprise operating in their jurisdictions.
- Secondly, the way member administrations approach the large multinational enterprise population is different to other populations. Member administrations recognise the impact large multinationals have on their revenue base, understand the additional complexities involved in ensuring compliance and generally apply additional resources to their large multinational taxpayer tax compliance programs.
- Thirdly, technology advances have made a big difference in the detection of risk for the large multinational enterprise population. Technology advances will continue to have a positive impact given the amount of information available to member

administrations. Most member administrations are continuing to invest in their data and analytics capabilities including additional technology to further enhance tax compliance functions.

- Fourthly, given the impact the large multinational enterprises can have on member administration's revenue base, there is a shift by member administrations to work with large multinational enterprises to ensure tax compliance. Member administrations generally conduct a lot of the work prior to the risk manifesting in a tax return whether that be via increased service offerings, cooperative compliance programs or increased transparency around compliance approaches and risk.
- Finally, there is a recognition that in dealing with large multinational enterprises, there is benefit in not only reviewing tax risk but in the member administration ensuring that the large multinational has the systems and procedures in place to minimise tax risk.

Topic III: Exchange of Information

The Delegates of Working Group III made the following recommendations:

Since EOI capacity building is important for SGATAR members, the SGATAR taskforce is required to provide SGATAR training programs regarding EOI. This will be done in collaboration with SGATAR members who have extensive EOI subject matter experience as well as with international organizations such as the OECD and ADB. These capacity building sessions are designed to support SGATAR members in the implementation of the following recommendations, and can be used as platforms for sharing knowledge and best practices.

- To address offshore tax avoidance and evasion, SGATAR members are further promoting EOI by improving communications among SGATAR members and sharing best practices.
- SGATAR members are encouraged to implement internationally agreed standards of transparency in tax matters.
- To improve EOI efficiency and effectiveness, SGATAR members will:
 - identify issues or risks to be highlighted through the Global Forum peer review process and/or internal review framework;
 - have countermeasure strategies in place to address those issues or risks; and
 - fully utilize information and communication technologies, since digital transformation in the field of EOI is vital for secure and efficient exchanges.

- 5 Japan was elected as the Host of the 50th SGATAR Meeting, Malaysia will host the 51st SGATAR Meeting.
- 6 The 2022 SGATAR Taskforce will be chaired by Japan, with Malaysia and Thailand as members. The Taskforce will further collaborate among SGATAR members to implement the approved Work Programme for 2022.