

PACIFIC ISLANDS TAX ADMINISTRATORS ASSOCIATION

Fifth Annual Conference

1-4 September, 2008

Port Vila, Vanuatu

The Vanuatu Customs and Inland Revenue (CIR) Department hosted the 5th Annual Conference of the Pacific Islands Tax Administrators Association (PITAA) from 1 to 4 September 2008 in Port Vila, Vanuatu. Mr. Ben Leeshi, Director of the Vanuatu Customs and Inland Revenue Department, chaired the Conference.

The Conference was attended by delegates from the Cook Islands, Fiji, Federated States of Micronesia, Kiribati, the Republic of Marshall Islands, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

Thirteen observers were present: Mr. Neil Cossins, Australian Taxation Office (ATO), Mr. Charles Ngaki, New Zealand Inland Revenue (NZIR), Ms. Josephine Dakar and Mr. Sanjesh Naidu, Pacific Islands Forum Secretariat (PIFS), Mr. Kulufeinga Bloomfield, Oceania Customs Organisation (OCO), Ms. Soo Mei June, International Bureau for Financial Documentation (IBFD), Mr. Neil Hamlin and Mr. William Chatwin, Data Torque, Prof. Lee Burns, IMF Expert (Legal Department), Mr. Bruce Hill, IMF IT Expert, Dr. Susan Adams, Coordinator, PFTAC and Ms Margaret Cotton and Mr Carson McNeill, Revenue Advisors, PFTAC.

The Honourable Mr. Willie Jimmy Tapangararua, Minister for Finance & Economic Management, formally opened the Conference. The Minister welcomed the delegates and observers to the 5th Annual Conference of PITAA. In his address, the Minister noted the theme of this year's conference as 'Working together to develop regional responses to the growing complexities of compliance (revenue) issues'. He highlighted the evolutionary nature of tax administration in that there was a need to constantly reorganise and reengineer our tax administration systems and policies to ensure that government funding objectives are met. He noted the key to maximising

revenue was to increase voluntary compliance, and he encouraged delegates to freely share their experiences on the effectiveness of aspects of their organisation in achieving compliance objectives.

The agenda was adopted, Dr. Alois Daton (PNG IRC) reported back on Secretariat activities undertaken since the last conference, and following the election of the chair, the Conference began.

The key issues for discussion by PITAA 2008 included:

1. Regional opportunities to improve revenue administration in the Pacific.
2. Matching resources to risk in the Pacific Environment.
3. Improving Compliance – Developing IT Potential and Strategy.
4. Key themes and issues arising from country presentations, including building capacity in selected technical areas.

Keynote Address: Regional opportunities to improve revenue administration in the Pacific

Ms. Margaret Cotton presented the results of the research that she had undertaken into opportunities for regional approaches to improving revenue administration. The research was commissioned following discussion by delegates, of a proposal by the Fiji Islands Revenue & Customs Authority, at PITAA 2007 in Port Moresby. It involved consultation with most of the countries represented at PITAA 2008 and with a number of other individuals and organisations. PITAA 2008 participants were provided with the research discussion paper along with summaries of the main issues raised and possible solutions.

A process of prioritisation was undertaken by delegates resulting in a smaller list of the highest priority opportunities that delegates wished to progress. These priorities could be grouped into four main areas:

- Training and capacity building
- Regional models
- PITAA long term focus, and

- Regional communication

Keynote Address: Matching resources to risk in the Pacific environment

Mr. Carson McNeill started his presentation by noting that managing compliance risk is at the heart of revenue authority corporate strategy. Mr. McNeill presented a compliance strategy model to delegates and demonstrated how this could be used to decide on where to focus resources in order to maximise the collection of revenue over time.

He took delegates through a process that included segmenting the taxpayer population, identifying the risks for each taxpayer group, prioritising the risks that you are going to manage, developing appropriate interventions to address the risks and measures to assess the effectiveness of the measures put in place. He noted that this is a continuous cycle. There is a need to regularly re-analyse what your risks are and update the intervention strategies accordingly.

It was noted that enforcement was an expensive intervention strategy compared to taxpayer awareness, but that sometimes it would be the only suitable intervention. Delegates discussed a risk scenario that illustrated a range of intervention strategies that could be available, and noted that an understanding of the drivers of taxpayer behaviour was an important factor in deciding on which mix of intervention strategies to adopt for any particular risk.

Mr. Carson McNeill also updated delegates on the work of PFTAC. Dr. Susan Adams presented a range of technical assistance publications that PFTAC had developed and could make available to delegates and others.

Keynote Address: Improving Compliance – Developing IT Potential and Strategy

Mr. Bruce Hill delivered a presentation on the critical success factors associated with developing IT Tax systems that deliver what is needed for the business of tax administration. He made the point that IT development needed to be undertaken as a project under an umbrella of strategically planned change. He emphasised that this

critically required administrations to properly define their strategic business objectives and business requirements.

He took delegates through the major phases of developing an Information Technology Strategic Plan (ITSP), and discussed other important enablers. These included key organisational strategic documents, understanding current IT capability, IT issues and constraints, business systems priorities, the business systems architecture, IT applications, data and technical architectures, IT management principles, the IT service delivery model, the IT transition plan, and contract management.

Mr. Hill provided much practical guidance and many examples to underline the potential and pitfalls of different approaches. He noted that in his view there were now some off-the-shelf tax administration system solutions that were suitable, with some customisation, for consideration by Pacific Island countries. This approach could be a smarter solution than trying to develop their own new systems, particularly given the difficulties most government IT departments have in attracting and retaining high quality staff.

Country Presentations

The country presentations highlighted the tax policy, legislative, and administrative measures taken by member countries since the last Conference to improve the effectiveness of their operations. It was clear that member countries have continued to propose and implement changes to promote voluntary compliance, including introducing taxpayer education programs, improved compliance programs, better use of technology, and capacity building. Delegates noted very comprehensive recent and upcoming tax reforms in some member countries. The country presentations offered an important forum for member countries to share experiences on voluntary compliance and tax reform, and provided a basis for more detailed discussion on approaches adopted, successes, and lessons learnt in the structured open forum session.

Open Forum: Key themes and issues arising from country presentations, including building capacity in selected technical areas.

Two key areas discussed in open forum were the approaches taken to objections and tax disputes - judicial (courts) and administrative (tribunals), and self assessment.

A number of countries outlined the approaches taken to objections and disputes. Some had recently implemented tribunals while others relied on the courts. Both approaches were seen to have merit, depending on the facts and circumstances of individual countries.

An extensive discussion followed on the merits of self assessment and the preconditions that are necessary for income tax self assessment to be successful. Delegates agreed that a move to self assessment required a significantly increased focus on audit and taxpayer advice capabilities. Self assessment taxpayers need to be able to determine their liability to the revenue authority with certainty. This often requires a rulings system which is binding on the revenue authority, simplification of the revenue laws, and increased taxpayer education activities. Audit capability also needs to be increased, and compliance risk assessment and case selection processes often also need to be bolstered.

It was also suggested that the long term viability of establishing a permanent Secretariat for PITAA should be looked into.

Observers' Comments

The observers were impressed with the excellent example provided by Pacific Island countries in identifying and pursuing regional solutions, as well as providing a means to share experiences and information. They noted that it was often useful to look at other regions for examples of regional cooperation, with CARTAC suggested as one possible example.

The observers were also impressed by the very high standard of the country presentations, and noted that a key issue appeared to be under-capacity in all areas – which was recognised by delegates through identification of training as one of the

priority areas to be focused on by PITAA in the future. They were also supportive of the concept of PFTAC providing roving experts to the region, for example to assist with legislative drafting, if that were possible.

Observers also provided background and updates on the progress of various matters including on the OCO organisation, workplan and funding, and the status of various trade agreement proposals.

This led to a discussion on funding sources for future PITAA activities, including the secretariat function. It was agreed that member countries should look at ways they could jointly take more ownership and contribute to supporting the secretariat function.

The Conference also provided an opportunity for observers to inform PITAA members of assistance that may be provided, including potential ATO and IR technical assistance. The ATO observer also advised delegates of the next Asian Tax Forum meeting to be held in Australia over 5-8 April 2009, and noted that the ATO was willing to provide some support to assist Pacific Island countries to attend.

Future Conferences

It was decided at the Fourth Annual Conference that the Sixth Annual Conference will be in Tonga. It was tentatively agreed that this will be held in early September 2009.

The Conference accepted the offer of the Republic of the Marshall Islands to host the 2010 Conference.

The Conference decided that the agenda for 2009 would be selected from managing tax reform, including the leadership dimension, Double Tax Agreements (DTAs) and Tax Information Exchange Agreements (TIEAs), International Taxation technical issues such as transfer pricing and thin capitalisation, Managing risk – including considerations of self assessment, HR performance and recruitment issues and reviewing what we've done in extending the work of PITAA. It was also decided that there would continue to be an open forum so that delegates can exchange ideas and

experiences on issues of common concern. For this purpose, delegates are encouraged to submit their country presentations well in advance of the Conference so that they can be circulated to participants.

Secretariat

The Conference agreed that while the host administration will act as secretariat for PITAA until the next Conference, they would be supported by contributions from other member countries where possible. Vanuatu agreed to act as secretariat until the sixth Conference in Tonga.

Extending the Work of PITAA

The Conference agreed that work should commence immediately by PFTAC, the secretariat and others members as appropriate to develop a strategic tactical plan for PITAA – with a view to detailing the current objectives for PITAA and in order to explore the various support mechanisms available.

One possibility to be explored, given the likelihood of limited funding being available, is whether the resources currently allocated by PFTAC to support the annual PITAA Conference should be diverted towards the PITAA priorities identified earlier. In this case, PITAA Conference costs would need to be self funded by member countries. It was noted that this could cause difficulties for some smaller Island Countries.

It was also suggested that consideration be given to inviting Australia and New Zealand to be full members of PITAA or members at large. The PITAA rules for admitting new members will need to be consulted and a process for this decision circulated to members in due course.

Resolutions

1. PFTAC and the Secretariat will develop a plan based on the priorities identified at PITAA 2008.
2. The plan will include a proposal for delivery of:
 - Pacific Revenue Management Meetings (PITAA Conferences)

- Capability Building Training Forums

The Final draft to be completed by mid February 2009 for circulation to PITAA members, voted on by 28 February 2009

3. PFTAC will investigate the feasibility of member countries self funding the PITAA Conference, with PFTAC applying their funds to the training forums.

Closing

Delegates expressed their gratitude to Vanuatu for hosting the Conference, to PFTAC for its sponsorship, and to all personnel that worked on the preparation and organisation of this successful fifth annual PITAA Conference, particularly Ms. Leinasei Kaloris (CIR) and Ms Elenoa Bogiwalu (PFTAC).

This communiqué will be posted on the PITAA page of the PFTAC website, www.pftac.org

Mr. Ben Leeshi

Chair

Port Vila, 4 September 2008