

PACIFIC ISLAND TAX ADMINISTRATORS ASSOCIATION
8th Annual PITAA Heads Meeting
22-24 August, 2011
Nadi, Fiji

The Fiji Revenue & Customs Authority hosted the 8th Annual Heads Meeting of the Pacific Island Tax Administrators (PITAA) from 22-24 August 2011 at the Radisson Blu Resort, in Nadi, Fiji.

The meeting was attended by delegates from 13 of the 15 PITAA member countries, Cook Islands, Fiji, Federated States of Micronesia, Kiribati, Nauru, Niue, Republic of Marshall Islands, Papua New Guinea (PNG), Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.

Also in attendance were 17 Observers from the Pacific Financial Technical Assistance Centre (PFTAC), Oceania Customs Organisation (OCO) Secretariat, Pacific Islands Forum Secretariat (PIFS), International Bureau of Fiscal Documentation (IBFD), AusAid Regional Economic Governance Programme, Data Torque Ltd and Timor Leste National Directorate for Domestic Revenue.

Fiji's Prime Minister and Minister for Finance, Commodore Voreqe Bainimarama formally opened the meeting. The Prime Minister in his opening address welcomed the delegates and observers and highlighted to them that the economic vulnerability, demographics and lack of resources within each of their tax administrations and in the region require them to collaborate and cooperate and which is consistent with this year's meeting theme **"Supporting Regional Priorities"**.

He reminded the delegates and observers that modern day taxation system requires transparency, simplicity and consistency. This requires tax administrations irrespective of size, to modernise their tax laws, to be service oriented and to treat taxpayers with dignity, to be beyond reproach and to be transparent in the equal application of the tax laws. In closing, the Prime Minister encouraged the members to use the meeting to interact, share ideas, learn from each other and also look at formal arrangements for sharing of information.

After the adoption of the Agenda and the election of Fiji as Chair, the meeting began.

PITAA Strategic Direction

Ms Margaret Cotton, PFTAC Revenue Advisor presented the outcome of the action points from the 2010 – 2012 Tactical Plan.

PITAA has three areas of strategic development regionally; (1) capability through developing regional training programs, (2) development of models available to be utilized by individual countries and (3) the sharing of knowledge through improved communications between countries.

The meeting identified that PITAA had developed to a stage where a permanent PITAA Secretariat was urgently required if progress toward its goals are to be achieved.

The meeting resolved to analyze the possibility of a permanent secretariat, a cost-benefit analysis and costing review in line with the OCO Secretariat

PNG and Samoa will prepare a scoping paper for the meeting to consider. The draft paper is to be ready within two months from the end of this meeting.

Arising from the Strategic Priorities, the following initiatives have been developed and progressed

1. Legislation Framework

Professor Lee Burns identified a range of tax law reforms currently undertaken by member countries which includes: (i) income tax law rewrites (Fiji and Samoa); (ii) introduction of new taxes (FSM and RMI); (iii) tax administration law including uniform procedural rules (RMI, FSM and PNG); and (iv) implementation of major policy reforms such as in the natural resources sector (Solomon Islands).

Effective tax law reform requires: (i) the need to establish a local counterpart to take ownership of the draft law; (ii) establish a working relationship with the Attorney General or government's Legal Department early in the drafting process; (iii) timely and careful review of drafts (it is the country's (not the external advisor's) law); (iv) consult widely with other Government departments and private sector stakeholders (such as chartered accountants, chamber of commerce and law society); (v) take account of, and accommodate feedback from the private sector so that they have a sense of ownership of the new law; and (vi) have a strategy to deal with interpretation issues with the new law once enacted, particularly with a tax law rewrite, such as a public rulings program – it is important that the tax administration takes the lead on this rather than always being reactive to private sector.

2. Information Technology (IT)

A PFTAC consultant, Mr. Tony Lester discussed the importance and the process of developing the strategic direction and funding of IT systems within

a Tax Administration's (TA). A key message was that any new IT system must be an integral component of the TA's strategic corporate direction.

The meeting also considered the outcome of a PITAA IT Workshop held on 17-19 August, 2011, facilitated by Mr. Lester and attended by senior IT staff from 10 member administrations. The workshop identified that there is strength of IT knowledge and skills within the region and opportunities should be taken to share this strength across member administrations.

The workshop raised a number of generic issues confronting IT development in the region and for these, potential solutions were identified. These issues included business ownership of IT systems, preparing business cases, change management arising from changes in IT systems within processes, building IT capabilities to meet the knowhow needs of new IT systems, retaining skilled IT staff, Disaster Recovery and Business Continuity Planning supported by a strengthening of security capability.

The Manager of Data Torque Ltd, the New Zealand developer of the Revenue Management System which is used by 6 members responded to the request from the workshop for more support related services from them. They have undertaken to work with PFTAC on matters such as:

- Combined maintenance agreements;
- The possibility of a regional support centre;
- Opportunities to reduce the overall cost of system acquisition;
- The sharing of common systems issues across all PICs; and
- The opportunity to enable group visits by PICs to other RMS user countries.

The Head of the OCO Secretariat outlined the current status of Customs regional developments including support role of ASYCUDA through the regional centre, United Nations Conference on Trade Development (UNCTAD). There also exists PC trade support which will be extended by four years with confirmation yet to be received. Many of the IT challenges that OCO members face with their regional developments are consistent with the challenges that PITAA members face.

The meeting agreed that the issues discussed during the workshop will be the focus of country cooperation bilaterally and regional development through the work of PITAA.

3. Corporate Strategies

Mr Carson McNeill, PFTAC consultant, outlined the assistance given to countries over the last year through training and technical assistance. The growing need to develop effective tax administration strategies and business

plans of countries was noted by the meeting. Over the last year, a number of countries have modernised their strategy and business planning processes.

From his work in countries, Mr. McNeill made a number of observations relating to developing strategies and annual business plans:

- An effective strategy and annual business plans are essential for Tax Administrations.
- There is a need for a longer strategic outlook of three to five years.
- A strategy determines the basis of annual business plans.
- The strategy and annual business plans are effective communication tools.
- Senior management leadership is essential when developing strategy and annual planning.
- Understanding what and how resources will be deployed is an area to be better understood in countries.
- Governments are requiring higher levels of accountability for the use of resources.

4. Human Resource (HR) Strategies

PNG, Fiji and Samoa discussed HR developments currently being undertaken at the national level and key issues that were discussed included:

- Need for a structured learning and development framework to ensure continuous capacity building across every level of organisations
- Staff retention is a challenge
- Importance of management leadership to ensure that strategic directions are cascaded throughout the organisational structure
- Use of Performance Management, Personality Test and Staff Engagement Survey as a tool for staff engagement and to encourage staff productivity and efficiency.

5. Business Process Review & Operating Model

Mr Carson McNeill also shared the importance of reviewing business processes to streamline and simplify these to align them with the organisational strategies. Members identified that often business process reviews are driven by the desire to automate processes and introduce e-services into their administration. Samoa and Vanuatu shared the operating model changes that accompanied their business process review.

Mr Joseva Leano shared observations of the in-country training provided in a small island nation. Tuvalu and Vanuatu, recipients of such training acknowledged the benefits of having regional expertise sit alongside staff as they learned from practical on-the-job training.

6. Governance and Accountabilities

PNG, Samoa, and Fiji shared their developments with implementing codes of conduct and the increase in external reporting. Both developments support their drive for transparency and accountability.

PNG Management Development Program

PNG discussed the outcome of the first intake of its project based Management Development Program. The program was developed jointly with the Australian Tax Office and was offered to PITAA members last year. Twenty four (24) staff entered the 2011 program, twenty two (22) from the PNG Internal Revenue Commission and two from Vanuatu Customs and Inland Revenue. Outcomes from the program have exceeded expectations with program attendees completing their projects and demonstrating their skills on the job.

The program is to be offered again in Vanuatu in March 2012 with PITAA member countries invited to attend. Nomination forms will be sent out in September 2011. Attendance will be self-funded with possible financial assistance from Australia and New Zealand via their respective aid programs.

Australian Leadership Awards

Professor Lee Burns provided an overview of the Australian Leadership Awards and two awardees, Samoa and Vanuatu provided the meeting with their experience and the benefits the program has provided in terms of their professional development. Following the successful nominations from Tonga, Vanuatu and Samoa in past years, member countries were encouraged to nominate suitable staff and managers for the 2012 program.

Membership Request from Timor-Leste

The members discussed the application received from Timor-Leste to be included as a permanent member of PITAA.

Recognising the similarities of Timor-Leste with the existing PITAA members and its membership of OCO, the members unanimously supported that Timor-Leste become a full member of PITAA.

The Timor-Leste delegate thanked the PITAA Members for their acceptance as a full member.

Closing

The 2012 PITAA Heads Meeting will be hosted by the Republic of Kiribati. The Meeting accepted the offer of Solomon Islands to host the 2013 Heads Meeting.

Mr Jitoko Tikolevu
Chair
Nadi, Fiji

23rd August, 2011