

## **PACIFIC ISLANDS TAX ADMINISTRATORS ASSOCIATION**

### ***1<sup>st</sup> Annual Conference 10 – 12 August, 2004 Suva, Fiji Islands***

The Fiji Islands Revenue & Customs Authority (FIRCA) hosted the 1<sup>st</sup> Annual Conference of the Pacific Islands Tax Administrators Association (PITAA) from 10 to 12 August 2004 in Suva, Fiji. Mr. Kotobalavu, CEO of FIRCA, chaired the meeting.

This Conference was attended by 13 of the 15 PFTAC member countries. There were 23 participants from the Cook Islands, Fiji, Kiribati, the Republic of Marshall Islands, the Federated States of Micronesia, Niue, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, and Vanuatu.

Five observers were present from the IMF (Legal Department), Australian Taxation Office (ATO), New Zealand Inland Revenue Department, Office of State Revenue New South Wales, Australia, and PFTAC. The International Bureau of Fiscal Documentation (IBFD) invited as observer, while not attending, sent a letter to the delegates to wish PITAA members success in meeting their objectives.

The CEO formally opened the Conference. The CEO welcomed the delegates and observers to the 1<sup>st</sup> annual conference of PITAA. He also noted that regional meetings such as these provide an excellent opportunity for administrators in the region to foster closer ties and exchange knowledge and experiences. He thanked PFTAC for initiating the establishment of the Association and making the arrangements for this first meeting.

In his opening address, he stressed the fact that while there are a number of organizations where tax issues could potentially be discussed, none appears to be well suited for the purpose. Most of the existing associations, like the CATA, the PATA, the ADB Annual Tax Conference, and the SGATAR cover either a broader or different geographical area, or focus on issues that are not directly applicable to Pacific Island Countries (PICs). The PITAA is therefore in a unique position to provide a forum that focuses specifically on the tax administration issues faced in the PICs.

After the formal election of a Chair and the adoption of the Agenda, the Conference began.

The key issues discussed by PITAA 2004 included:

1. The discussion and approval of the MOU
2. The presentation by countries
3. The observer time
- 4 The Workshop on Audit.
5. Closing

## 1. The discussion and approval of the MOU

All countries participated in the discussions of the MOU. Highlights of the discussions and resolutions are as follows:

### OBJECTIVES

- All 5 objectives of the Association were endorsed by the 13 countries present
- Some concern was indicated by a few countries regarding the second objective pertaining to sharing of information. This was clarified to mean the sharing of experiences and knowledge in general rather than specific legislation or other confidential material (unless otherwise agreed to by individual countries in their dealings with each other)
- The 3rd objective was deemed to be too broad and it was suggested and agreed that the wording be altered to read as follows:
  - “Help promote international standards and best tax administration practices, suitable to the characteristics of the Pacific Island Countries (PICs)

### ACTIVITIES

- All 5 activities of the Association were endorsed by the 13 countries present
- The reference to an “International Conference” was considered misleading and an alteration to “Annual Conference” was adopted by members present

### STRUCTURE

- The need for a Vice Chair was agreed upon to take on the duties of the Chair in his/her absence and a clause to provide for this included in the MOU

### MEMBERS

- A provision to allow withdrawal from the organization was suggested and endorsed. The provision is to read as follows:
  - “Any Member can withdraw its membership from the Association by providing written notice to the Chair”

## SAC

- PFTAC was endorsed as the Secretariat for the 1<sup>st</sup> Annual Conference of PITAA and the rotational system across the PICs agreed upon for future meetings
- PFTAC could not commit to performing Secretariat functions on an ongoing basis but made its assistance available to future Secretariats where it was feasible.

## ANNUAL CONFERENCE

- No comments

## PROCEDURES

- The role of the Secretariat was clarified to be primarily responsible for the Annual Conference, with the newly appointed Secretariat at each meeting assuming the duties for the forthcoming year. Any interim communication between meetings will be directed by the Secretariat appointed at the last meeting

## MINUTES

- No comments

## ENTRY INTO EFFECT

- No comments

## AMENDMENTS

- No comments

## DISSOLUTION

- No comments

## **2. The presentation by countries**

### **(a) noted:-**

- (i) member countries have differing tax structures and recognised that concerted efforts have been made in the past to bring reforms to the tax administrations of all the member countries;

- (ii) funding has remained one of the key constraints to strengthen tax collection capacity and capability whilst also recognising that numerous other challenges and difficulties have hindered progress;
- (iii) member countries are currently pursuing various projects in their vigorous attempts to bring effectiveness and efficiency in tax administration;
- (iv) member countries, in the area of tax policy and administration, have received overwhelming support from the international community, such as assistance from the neighbouring Governments of Australia and New Zealand, the International Monetary Fund (IMF), Pacific Islands Financial and Technical Assistance Centre (PFTAC) and various other international and regional agencies;
- (v) member countries are conscious of revenue impacts of trade liberalisation through the effect of agreements such as the Pacific Island Countries Trade Agreement (PICTA) and Pacific Agreement on Closer Economic Cooperation (PACER);
- (vi) member countries have generally been integrating their internal revenue functions with that relating to the Customs services.

**(b) resolved:-**

- (i) to work together with members of PITAA to enhance the management of tax administration in the Pacific region;
- (ii) that closer co-operation is necessary for the formulation and implementation of prudent tax policies;
- (iii) that international technical and financial assistance is necessary to improve the effectiveness and efficiency of tax administration so that revenue services can be at par with the suitable international benchmarks;
- (iv) that greater use of information technology and the provision of well qualified and motivated human resources are to be encouraged;
- (v) that greater focus is required on audit and compliance programs to foster greater taxpayer compliance;
- (vi) that tax policy issues such as the introduction of self assessment, broad-based consumption tax, strengthening of penalty regimes, Temporary Closure of Business (TCOB) provisions and provision of a single taxpayer identification number are to be explored and implemented, if applicable;
- (vii) that additional sources of tax need to be identified as a means to recoup revenue losses from the effects of PICTA and PACER.

**3. The observer time**

The observers were impressed with the level of preparation by, and technical discussion among the delegates, and the openness with which they shared their experiences. It was clear to the observers that the annual PITAA meeting will provide an excellent forum for delegates to engage in dialogue concerning the technical and administrative issues that they are facing.

The meeting also provided an opportunity for observers to inform PITAA members of assistance that may be provided. The ATO and IRD observers advised delegates of the ATO and IRD technical assistance and international visitor programs, including the scope of these programs and the application procedures. The ATO observer has undertaken to brief AusAID on the technical assistance needs of member countries as discussed during the meeting. The NSW OSR observer advised delegates of the OSR's attachment program under which administrators from PITAA member countries may spend 2-3 weeks with the organisation. There is also facility for shorter visitations.

The IMF Legal observer advised delegates that IMF Legal provides assistance in the drafting of tax laws. The assistance can cover the drafting of the law itself and regulations, preparation of an explanatory memorandum and other related documents, and assistance in the preparation of rulings. Delegates were also informed of the International Tax Dialogue ("ITD"), a joint initiative of the IMF, World Bank and OECD, which is a forum for tax administrators to share experiences. Delegates were encouraged to visit the ITD's website ([www.itdweb.org](http://www.itdweb.org)), which hosts country-specific tax materials and a database of technical assistance available from public international organisations. In the future, the website will include a facility for electronic discussion between tax administrators. The ITD will also host an annual conference. The first conference will be in Italy in 2005 on VAT.

#### **4 The Workshop on Audit.**

Tax administrations do not have sufficient resources to perform an effective audit of every taxpayer during every tax period, or even every year. Special selection techniques to identify appropriate cases for audit and strong sanctions for non-compliance are therefore imperative in improving the level of voluntary compliance and accuracy of self-assessment. It is with this in mind that "*Developing an Audit Program and Improving Audit Procedures*" was chosen to be the main topic of the workshop for the first PITAA annual conference.

Accurate and timely self-assessment is achieved only through highly visible and effective audit programs. Audits result in increased tax revenue in two ways: (1) directly through additional taxes assessed; and (2) indirectly by discouraging underreporting of liabilities by all taxpayers.

An audit's effectiveness should be measured by how it contributes to better compliance. Conducting a variety of audits, not just comprehensive audits, can increase the effectiveness of an audit program. Short and targeted audits require less time, allowing for the coverage of more taxpayers, and help identify those taxpayers that may warrant a full, comprehensive audit. Detailed audit planning and reporting is a key factor of success for effective audit selection. Audits and auditors time should be monitored to improve their performance and planning.

**The Conference acknowledges that more emphasis should be placed on planning and reporting audit activities and not only revenue collected.** More formal annual plans should be prepared, setting the targets for the key areas of the audit activity. A reporting system to help management monitor the monthly and annual targets should be introduced. **A set of performance indicators should also be developed for the main functional areas.**

The participants discussed the need for more training in the area of performing audits and improving the skills of auditors. It was highlighted that the audit function was becoming increasingly critical in the self assessment environment.

## **5. Closing**

The Conference accepted the offer of Samoa to host the second PITAA Annual Conference from 9 to 11 August 2005.

The key topic selected for the 2005 conference will be: "Performance Measurement & Monitoring of Tax Administration".

In addition, each country has been encouraged to present a short summary of the initiatives undertaken and results achieved in their country to improve voluntary compliance for the past 12 months.

Delegates expressed their gratitude to FIRCA for chairing the Conference and to the staff of PFTAC for the organization of this successful first annual meeting. They also conveyed their gratitude to the Reserve Bank of Fiji for the great facilities provided for the Conference.

This communiqué will be posted under the PITAA section on the PFTAC website, [www.pftac.org](http://www.pftac.org)

Chairman  
Fiji  
12 August 2004