

PACIFIC ISLANDS TAX ADMINISTRATORS ASSOCIATION

2nd Annual Conference --9 – 11 August, 2005

Apia, Samoa

The Samoa Ministry for Revenue hosted the 2nd Annual Conference of the Pacific Islands Tax Administrators Association (PITAA) from 9 to 11 August 2005 in Apia, Samoa. Mr. Fuimaono Poufa Te'o, CEO of the Ministry, chaired the meeting.

This Conference was attended by 13 of the 15 PFTAC member countries. There were 26 participants from the Cook Islands, Fiji, Kiribati, the Republic of Marshall Islands, the Federated States of Micronesia, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, and Vanuatu. Tuvalu cannot attend due to flight cancellation.

Seven observers were present: Mr. Tony Gill, AusAID, 1st Secretary (Apia, Samoa), Mr. Toshiyuki Kenmochi, Deputy Director, National Tax Agency (Japan), Mr. Graham Whyte, Assistant Commissioner, International Relations, Australian Taxation Office (ATO), Mr. Martin de Graaf, Area Manager, New Zealand Inland Revenue Department, Mr. Bob Smith, Commissioner of State Revenue, Office of State Revenue New South Wales, (Australia), Mr. Lee Burns, IMF Expert (Legal Department), and Mr. Christophe Grandcolas, Tax Advisor at PFTAC. The International Bureau of Fiscal Documentation (IBFD) was invited as observer, while not attending, sent a letter to the delegates to wish PITAA members success in meeting their objectives.

The Honorable Tuuu A. Leota- Minister for Revenue and Public Trust formally opened the Conference. The Minister welcomed the delegates and observers to the 2nd Annual Conference of PITAA. In his opening address, he stressed the fact that the PITAA is in a unique position to provide a forum that focuses specifically on the tax administration and policy issues faced in the PICs. He thanked the Pacific Financial Technical Assistance Centre (PFTAC) and Mr. Grandcolas, the Tax Advisor of this Centre, for the vision and initiative to arrange and facilitate the establishment last year of PITAA, as well as the continued financing support from PFTAC to fund this second conference and hopefully the next one.

After the adoption of the Agenda, the Conference began.

The key issues discussed by PITAA 2005 included:

- The review of the situation regarding the MOU
- The presentation by countries
- The presentation on “How to Improve the Compliance level by using Performance Indicators”
- The Communication on "Current Legal Issues in Self Assessment"
- The Observer time

- Closing session

1. The review of the situation regarding the MOU

The Tax Advisor at PFTAC mentioned that out of the 15 PICs, 14 have already signed the MOU discussed and approved by the 1st annual conference. Only Tonga has not yet signed this MOU. Delegates from Tonga were encouraged to follow up with the signatory of the MOU after their return to Tonga.

2. The presentation by countries

All member countries attending the Conference presented an outline of their initiatives and achievements in improving voluntary compliance over the past twelve months. It was evident from these presentations that:

1. The leadership shown by PFTAC has produced a far greater awareness of best practice in tax administration/tax policy and most member countries have adopted these principles in planning changes that will make their administrations more effective¹ ;
2. While all countries were at varying stages in the evolution of their tax systems, most had recognized the benefits of having a balance of taxes that included a broad based consumption tax, taxes on business profits, taxes on employee salary and wages and a simple system of taxation for small business taxpayers;
3. The difficulty in obtaining donor funding to carry out major reform continues to be a barrier that will inhibit the ability of many smaller Pacific nations to undertake reforms that will generate greater domestic tax revenue;
4. There is a strong need for greater co-ordination of training activities in the Pacific region and many benefits would accrue from the ATO, NZIRD, NTA, and PFTAC adopting a leadership role in the development and delivery of a broad training program/tax school;
5. There were many benefits from operating common IT systems and countries that did so were able to share their experiences and jointly contribute to system developments.

3. The PFTAC paper on: “How to Improve the Compliance level by using Performance Indicator

Since the revenue collected is a by-product directly correlated to the ratio of voluntary compliance, improving this ratio will conduct inevitably to increased revenues. Consequently, a management that targets “tasks to be done” is more efficient compared to a management based on amount to be collected. To the extent that managers react to performance indicators, the actual effectiveness and the efficiency of a Tax administration’s management will depend on the quality of the performance indicators.

Therefore, for each of the following basic tasks, a set of simple, relevant and easy to measure performance indicators have been proposed and discussed: Taxpayer services, Registration, Collection enforcement, Returns processing, Filing enforcement, Audit, Refunds, and Objections.

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

The PITAA annual conference, the PICs and the PFTAC websites, could be used to promote data exchanges between revenue administrations on both performance and costs indicators.

4. The IMF Legal Department Communication on "Current Legal Issues in Self Assessment"

- Lee Burns presented a paper on “Legal Aspects of Self-Assessment”. The paper states the arguments in favour of self-assessment as the most effective means of encouraging voluntary compliance and explains the key design features of self-assessment, namely certainty of law; post-assessment checking; and penalties. The paper focused particularly on the legal issues relating to the implementation of self-assessment. Issues discussed included making the tax law more user friendly, the use of binding rulings, investigations powers to support audit, and restructuring the penalty system so that it sets out a minimum standard of care that taxpayers must observe in self-assessing their liabilities.

The discussion by delegates of self-assessment focused on the structure of penalties and audit issues. Reference was made to Japan’s blue return system as a means of rewarding taxpayers who voluntarily comply emphasizing that there should be both “carrots and sticks”.

5. The observer time

The observers were impressed with the level of preparation by, and technical discussion among the delegates. Those observers who attended the first PITAA meeting noted the greater openness of delegates to share experiences. It is clear to the observers that the annual PITAA meeting is providing 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 their experiences in relation to issues covered in the meeting and to outline assistance that has been provided. The NTA, ATO and NZIRD observers advised delegates of their organization’s technical assistance and international visitor programs, including the scope of these programs and the application procedures. The NSW OSR observer informed delegates of compliance strategies undertaken by the OSR.

The IMF Legal observer advised delegates that IMF Legal Department provides assistance in the drafting of tax laws. 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), 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.

6. Closing

The Conference accepted the offer of Cook Islands to host the third PITAA Annual Conference from 8 to 10 August 2006, and the offer of PNG to host the fourth Annual Conference in August 2007

The key topics selected for the seminar of the 2006 conference will be:

- Determination of case selection for audit; and
- Presumptive taxation.

In addition, each country has been encouraged to present a short summary of the initiatives undertaken and results achieved to improve management based on performance indicators as well as any changes in their tax regime or tax administration organization for the past 12 months.

Delegates expressed their gratitude to Samoa for chairing the Conference and to the staff of Samoa Ministry for Revenue, and to Ms. Nina Samuela and Elenoa Bogiwalu (PFTAC) for the preparation and the organization of this successful second annual conference.

This communiqué will be posted under the PITAA section on the PFTAC website, www.pftac.org

Mr. Fuimaono Poufa Te'o
Chairman
Apia, August 11, 2005

