

**Address**

**By**

**Honourable Karen Nunez-Tesheira**

**Minister of Finance**

**Update on the Trinidad and Tobago Revenue Authority**

**9 June 2009**

Thank you all very much for joining us here today. I am pleased to host this important event which is intended to brief you on the status of the implementation of the Trinidad and Tobago Revenue Authority or TTRA. This group constitutes an important sub-set of stakeholders in the revenue administration of Trinidad and Tobago and it is necessary for us to update you on our progress in modernizing this critical aspect of our administration and to obtain your feedback.

Government's Reform and Modernisation Agenda is articulated in its Vision 2020 Operational Plan which revolves around five Pillars and their respective Goals. I wish to highlight the following :

Pillar 1 : Developing Innovative People.

One of the goals is that "A highly-skilled, talented and knowledgeable workforce will stimulate innovation-driven growth and development.

Pillar 3 : Enabling Competitive Business

Goal : A business climate that attracts investors and encourages businesses to start and grow will be created.

Pillar 5 : Promoting Effective Government

Goal : Our Public Institutions will be high performance professional entities effectively and efficiently meeting the needs of all their clients.

Modern institutions of government constitute a critical underpinning for these bold objectives for our country, and none more so than our tax and customs administration. A broad and robust tax base and a well functioning revenue administration are critical elements of a disciplined fiscal policy. Our administration in these areas must be effective, efficient and fair. Countries around the world have been reviewing their revenue administrations and undertaking major initiatives to modernize them. This includes both developed and developing nations. Just to cite a few examples, major revenue administration reform is an ongoing process in the United Kingdom, Canada, Australia,

Eastern Europe, across Asia, in most countries in Africa and closer to home, in Latin America and the Caribbean.

As many of you know, Trinidad and Tobago has also been modernizing its revenue administration with the introduction of significant information technology changes and later in this programme a brief update of reform initiatives relating to our reform initiatives in our tax and customs administration will be presented.

As far back as 2002, a study conducted a Government-appointed Committee to examine the feasibility of establishing a Revenue Authority in Trinidad and Tobago by the following conclusions about our revenue administration agencies, that is the Customs and Excise Division and the Inland Revenue Division of the Ministry of Finance:

- ✓ they were hampered by human resource policies that did not fit their specific needs;

- ✓ compensation was inadequate given the specialized skills required ;
- ✓ recruitment and retention were extremely difficult;
- ✓ sufficient autonomy did not exist for these agencies to effectively manage their resources;
- ✓ integrity was a potentially serious problem,
- ✓ the full revenue collection potential of the country's tax and customs laws was not being realized and
- ✓ services to taxpayers were ineffective and complex.

After reviewing the Report of the Committee, the Government of accepted the recommendation that the establishment of a Revenue Authority offered the best prospect of addressing those challenges.

A Revenue Authority is an institution of government, but one entrusted with more administrative autonomy than a traditional ministry or department.

Ladies and Gentlemen, the establishment of a Revenue Authority is not the privatization of government functions. There is no evidence of any country that has privatized its tax or customs administration. This is not surprising since these are amongst the most important functions of government and are ones that demand direct accountability.

In establishing a Revenue Authority, Trinidad and Tobago is not breaking new ground. Some 40 countries world-wide have adopted this particular governance model. According to an IMF survey, the revenue authority model can have many significant benefits. These include:

- ✓ improved revenue generation and compliance with the country's revenue laws;
- ✓ better services to taxpayers and traders;
- ✓ a more professional staff complement; an improved retention of qualified personnel; and,
- ✓ an improved capacity to deal with corruption.

We see the Revenue Authority not as a goal in and of itself but as a better **platform** for us to achieve the modernization of our revenue administration. In most countries today, this modernization includes:

- ✓ ensuring a sound tax policy framework,
- ✓ modernizing and simplifying legislation and procedures,
- ✓ implementing effective self-assessment processes for both tax and customs, complemented by risk-based enforcement strategies,
- ✓ establishing modern organizational structures and business processes,
- ✓ investing in state of the art information technology and
- ✓ ensuring that our administration is characterized by integrity and transparency.

These are the goals that we are striving for. These are consistent with the pillars and goals of Government's 2020 Vision which I

highlighted at the beginning of my address. It is our hope, indeed our expectation that the Trinidad and Tobago Revenue Authority (TTRA) will act as a catalyst to give Trinidad and Tobagos a quantum leap in the desired performance levels.

Let me state briefly some of the key features of the TTRA. It will be seen that these characteristics are intended to provide the platform for a more efficient revenue administration.

First, the TTRA will not be part of the civil service proper. It will still be part of the public sector, but it will not be covered by the civil service laws or other policies which govern the roles and functions of government ministries and departments. Therefore, it will not be subject to oversight by certain Central Government institutions that have that function such as the Public Service Commission and the Government's Personnel Department. This feature would ensure more speedy decision-making.

Secondly, the TTRA will have a Board of Management. This Board will be empowered under enabling legislation to have responsibility for the management and administration of the TTRA as a public enterprise. In this sense, it is the Board of Management that provides the oversight currently exercised by the central agencies of government and it is the Board of Management that will be responsible for ensuring integrity and transparency in that process.

Thirdly, I want to make a very important point about this Board of Management of the TTRA. **The Board of Management will not be involved in the administration and enforcement of the revenue laws of Trinidad and Tobago.** In fact, owing to the confidentiality of information associated with tax and customs administration, the members of the Board of Management will not have access to such information. This authority will rest with the Head of the TTRA, the Director-General, as obtains now with

respect the Comptroller of Customs and Chairman of the Board of Inland Revenue.

The current lines of accountability for the administration and enforcement of the revenue laws, which involve ministers and officials being granted specific powers and being held accountable, does not change with the establishment of the TTRA. The Government remains fully responsible for the revenue laws of the country.

Fourth, the TTRA will have the benefit of a modern and integrated organization structure, permitting greater specialization and creating increased efficiency.

Fifth, the TTRA will be able to recruit persons with the requisite competencies and strive to provide adequate and equitable compensation.

Sixth, the TTRA will be directed by the Government to ensure that it has an effective and visible integrity program in place and that it develops and publishes appropriate performance information that will ensure public transparency in its operations.

Finally, with the Board of Management responsible for all human resources issues, the TTRA will develop its own policies for activities such as recruitment, promotion, and compensation.

These are not just bureaucratic changes. They represent fundamental changes in how revenue administration will be carried out in this country and they provide a true basis for reform and modernization in this area.

Let me turn now to the external stakeholders in our revenue administration—the citizens and groups represented by the people here today. It is our intention that the creation of the TTRA, along with a continued and forceful emphasis on modernization, will

contribute to an improved business environment for taxpayers and traders.

Our goal is to make it easier for citizens to comply with the laws of the country. We want to offer simplified guidelines and procedures wherever possible, effective taxpayer education programs, electronic filing and electronic commerce on a wide scale and opportunities for you and your colleagues and clients to conduct business with the government in a more effective and efficient manner.

In return, we also ask for your support. Support for example in helping us deliver the message that taxes and duties are collected in response to society's need for services—health care, good roads, social benefits, schools and security.

We want a level playing field and fairness and equity in our administration but at the same time, we are looking for improved compliance with the law.

For the government's part, we will be directing the revenue administration to improve its enforcement capability based on risk-based strategies and modern information technology tools.

The Board of Management I referred to earlier will have private sector representatives. This is part of a deliberate effort to ensure that the TTRA cultivates and adopts the best private sector practices in its management and administration. The Board will interact with stakeholders such as yourselves to seek your feedback and your views.

Based on experience in other countries and on our own experience so far, implementing a revenue authority is a difficult and sometimes controversial task. Constant in our mind is the

recognition that the goal is not the TTRA—the goal is improved and modernized revenue administration.

Creating the new platform poses numerous challenges—it requires a great deal of attention from senior management and from the government. We are in the final stages of determining our approach to the TTRA and drafting the required enabling legislation. It is expected that the TTRA Bill will be laid in Parliament early in the new term, in September.

In other broad areas , the status is as follows :

### **Organisation Structure**

Cabinet has approved a new Organisation Structure for the Executive and Top Management. The lower levels are to be finalised taking into account that there will be common services in areas such as Human resources, Finance and legal services.

### **Information Technology**

There will be one Data Centre. In this regard, ICT specifications have been developed from the new organisation.

### **Accommodation**

Designs are well advanced for the outfitting of the two new buildings which will house the TTRA in the Government Campus.

### **Service Records**

A tremendous amount of work has been undertaken towards completing Pension and Leave (service) records for existing staff to ensure that termination benefits are paid as soon as possible after the date of termination.

### **TTRA Management Co. Ltd**

In order to provide for a smooth and effective implementation, Government has created a TTRA Management Company. The job of this organization is to prepare the necessary groundwork for the start-up of a completely new organization.

The Board of the Management Co. will, therefore, be entrusted with the responsibility to finalise arrangements for a seamless transition prior to the appointment of the TTRA Board of Management. Such matters include :

- developing the organization structure of the TTRA, position descriptions and the qualifications required for its managerial and other positions.
- developing a complete suite of human resources policies, including such critical matters as recruitment, compensation, collective bargaining, pensions and the like.
- developing other essential management policies including financial management, budget and accounting, accommodation, security, procurement and other essential aspects of administration.
- integrating the current modernization plans of the Board of Inland Revenue and the Customs and Excise Division to develop a modernization strategy for the TTRA whose hallmark will be a new approach to integrity and transparency.

The Management Company has a strong, private sector-oriented board and will be provided with the necessary resources to get this important job done successfully. Once the TTRA legislation is passed by Parliament, the work of this company will be taken over by the TTRA Board of Management. The skills and knowledge developed by the Management Company will be available for the TTRA Board.

I would also like to mention our current staff engaged in the business of tax and customs administration. These individuals, managers and other officers , have made an invaluable contribution to the public service of Trinidad and Tobago and I wish to publicly thank them for their loyalty and commitment.

Also, I wish to refer to the matter of Staffing of the TTRA. This matter was the subject of extensive discussion. A few options were reviewed based on the experiences of other revenue authorities and taking into account our own experience in other

similar reform initiatives in organisations such as the Regional Health Authorities, the Civil Aviation Authority, TTPost and Caribbean Airlines. Basically, the major contentious issue was whether existing staff should be allowed automatic employment with the TTRA and there was a school of thought that this would be inimical to the objectives of the establishment of the TTRA. Moreover, even if pre-employment screening were to be utilised, there was the possibility of litigation.

In all the circumstances, Government took the decision to offer all employees of C&ED and IRD a Voluntary Separation of Employment Plan(VSEP) which provides a very attractive termination package. Existing employees will have the opportunity to apply for a position commensurate with their skills and competencies.

Later this morning, there will be brief presentations dealing with the experience of revenue authorities in other countries and with information technology investment plans for both BIR and C&E.

Also, the Chairman of the TTRA Management Co. Ltd. , Mr Andre Vincent-Henry has graciously agreed to give a few Remarks. I wish to publicly express my appreciation to Mr. Vincent-Henry and members for accepting this challenge. The Board is a strong and committed one with a mix of requisite skills.

As discussed, Government is finalizing its policies and plans to facilitate the successful implementation of the Trinidad and Tobago Revenue Authority. I am advised that certain Caricom countries are looking closely at this Project with a view to drawing on our experiences.

Ladies and Gentlemen, I must thank you for your kind support. I invite you to present your questions and comments on the issues discussed this morning or any other related matters and I look forward to continued collaboration with you as Government pursues its Reform and Modernisation Agenda