



Government of the Republic of Trinidad and Tobago
MINISTRY OF FINANCE

Statement by Honourable Colm Imbert
Ministry of Finance on March 16, 2018
in the House of Representatives
on the Tax Administration Diagnostic Assessment Tool (TADAT)
Performance Assessment Report on Trinidad and Tobago
Prepared by an International Monetary Fund (IMF)
Technical Assistance Mission

Madam Speaker, I have the privilege today to lay in this Honourable House the **December 2017 Tax Administration Diagnostic Assessment Tool (TADAT) Performance Assessment Report on Trinidad and Tobago**. This Report was prepared by an International Monetary Fund (IMF) Technical Assistance Mission which visited Trinidad and Tobago during the period **September 20-October 3 2017**. The Report has identified the main strengths and weaknesses of our Tax Administration System through the application of a newly-introduced Assessment Tool, which allows us to gauge the performance of our Tax Administration with clear guidelines and priorities for reform.

It has long been recognized that our tax collection system is underperforming, although we have made substantial and significant progress in reforming the taxation system for improving domestic revenues:

- at the beginning of the **1990's**, we introduced the Value Added Tax (VAT) which had great revenue potential by ensuring an adequate and sustainable base with minimal exemptions; and
- in the early **2000's**, we reformed the Income Tax Regime on both individuals and corporations by lowering rates and removing exemptions.

Madam Speaker, despite the implementation of those best practice tax instruments over the last **two (2)** decades, our revenue administration continues to suffer from serious issues with its organizational structure and governance and non-compliance.

It was these considerations which led the PNM Administration over 10 years ago to initiate the process to put in place the Trinidad and Tobago Revenue Authority. This new Authority was intended to integrate the Customs and Excise and the Inland Revenue Divisions into a single organization would have greater flexibility and autonomy, allowing for improved management and greater efficiency and effectiveness in the collection of public revenue. It would have embraced best practice standards in domestic tax administration.

Madam Speaker, it is unfortunate that the former UNC Administration brought this Revenue Authority Model to an end and with it the tax reform

and modernization agenda which would have enhanced tax compliance and improvement of service delivery to tax payers, inter alia.

However, we have resumed work on this project and will in the near future advise this House of the progress made, as well introduce the necessary legislation to reform our system of revenue collection.

The TADAT Report provides a road map which would guide the Inland Revenue Department in the first instance and subsequently the proposed Revenue Authority in strengthening domestic revenue mobilization. It has delivered an objective and standardized assessment of the most critical outcomes of our system of tax administration. The Report has focused on **nine (9)** key Performance Outcome Areas (POAs):

- Integrity of the Registered Taxpayer Base
- Effective Risk Management
- Supporting Voluntary Compliance
- Timely Filing of Tax Declarations
- Timely Payment of Taxes
- Accurate Reporting in Declarations
- Effective Tax Dispute Resolution
- Efficient Revenue Management
- Accountability and Transparency

The POAs are informed by **twenty-eight (28)** high-level indicators critical to tax administration performance. A **four (4)** point scale has been used to score each dimension and indicator with:

- A: denoting that the tax administration demonstrates strong performance and followings internationally accepted good practices in that dimension;
- B: representing that the tax administration shows sound performance fairly close to internationally accepted good practices in that dimension;
- C: meaning that the tax administration just meets the minimum performance standards in that dimension; and
- D: denoting inadequate performance where the minimum standards set in 'C' are not met or insufficient information to determine level of performance.

Madam Speaker, the TADAT Assessment in the **December 2017** Report is instructive. Through a diagnostic approach, it assesses outcomes in relation to the administration of our major direct and indirect taxes which are critical to central government domestic revenues: Corporate Income Tax, Personal Income Tax and Value Added Tax. It underlines the relative strengths and weaknesses of our tax administration.

Madam Speaker, let me share with this Honourable House the assessment of the Performance Outcome Areas (POAs) and the associated **twenty-eight (28)** high-level indicators

- in respect of POA 1: *Integrity of the Registered Taxpayer Base*, the sub-indicators scores are:

- Accurate and reliable taxpayer information D
 - Knowledge of the potential taxpayer base C

- in respect of POA 2: *Effective Risk Management*, the sub-indicators scores are:
 - Identification, assessment, ranking, and quantification of compliance risks C
 - Mitigation of risks through a compliance improvement plan D
 - Monitoring and evaluation of compliance risk mitigation activities D
 - Identification, assessment, and mitigation of institutional risks D

- in respect of POA 3: *Supporting Voluntary Compliance*, the sub-indicators scores are:
 - Scope, currency, and accessibility of information D

- Scope of initiatives to reduce taxpayer compliance costs D
 - Obtaining taxpayer feedback on products and services C

- in respect of POA 4: *Timely Filing of Tax Declarations*, the sub-indicators scores are:
 - On-time filing rate D
 - Use of electronic filing facilities D

- in respect of POA 5: *Timely Payment of Taxes*, the sub-indicators scores are:
 - Use of electronic payment methods C
 - Use of efficient collection systems A
 - Timeliness of payments D
 - Stock and flow of tax arrears D

- in respect of POA 6: *Accurate Reporting in Declarations*, the sub-indicators scores are:

- Scope of verification actions taken to detect and deter inaccurate reporting D+
 - Extent of proactive initiatives to encourage accurate reporting D
 - Monitoring the extent of inaccurate reporting D
- in respect of POA 7: *Effective Tax Dispute Resolution*, the sub-indicators scores are:
 - Existence of an independent, workable, and graduated dispute resolution process C
 - Time taken to resolve disputes D
 - Degree to which dispute outcomes are acted upon B
- in respect of POA 8: *Efficient Revenue Management*, the sub-indicators scores are:

- Contribution to government tax revenue forecasting process C
 - Adequacy of the tax revenue accounting system D
 - Adequacy of tax refund processing D
- in respect of POA 9: *Accountability and Transparency*, the sub-indicators scores are:
 - Internal assurance mechanisms D
 - External oversight of the tax administration C
 - Public perception of integrity D
 - Publication of activities, results, and plans C

Madam Speaker, this finding of *inherent weaknesses* in our tax administration has not come as a surprise to us and we must make every effort to correct the deficiencies that have been identified in a timely manner.

Accordingly, Madam Speaker, the proposed TTRA will embrace best practice standards in domestic tax administration. It will improve efficiency and domestic revenue mobilization and provide fast and efficient quality service to taxpayers through simple, transparent and up-to-date procedures.

It will enhance staff competency and productivity. The **2017** TADAT Performance Assessment Report represents a useful baseline of tax administration on which the Revenue Authority would build.

Thank you