



Government of the Republic of Trinidad and Tobago

MINISTRY OF FINANCE

STATEMENT BY:

**Senator the Honourable Allyson West
Minister in the Ministry of Finance**

At the Symposium:

***‘The Trinidad and Tobago Revenue Authority -
A Practice in Good Governance’***

Hosted by:

The Institute of Chartered Accountants of Trinidad and Tobago
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Good morning and my thanks to all of you for attending today's session. You would all have differing frames of mind regarding the establishment of a revenue authority. Some of you no doubt are curious and others sceptical. However, for the majority, hopefully, your presence would be motivated by a belief in the vision that is the TTRA and a commitment to helping to positively influence and shape the way forward to a vastly improved tax administration which would in turn improve our business environment and be a model for wider public sector reform.

I want to especially thank

- the Institute of Chartered Accountants (ICATT)
- the Chairman of the Tax Committee of ICATT, Ms Nicole Joseph
- Chief Executive Officer of ICATT, Ms Esther Le Gendre
- my team members, in general and in particular Ms. Nicole Duke-Westfield for organising this event.

This meeting marks the launch of our public education and awareness campaign, and we opted to start with ICATT as it brings together under one umbrella the majority of country's tax professionals, and as such is a major stakeholder in the area of tax administration.

We look forward to a very interactive session as we welcome your thoughts, questions and ideas in shaping the TTRA, and we encourage your involvement in the effort to continuously improve the country's tax administration system.

I will start by sharing with you the objective of the policy decision to establish a semi-autonomous revenue authority and to give you some details on the process of designing and establishing the TTRA.

You, no doubt, are well aware and can appreciate the significant changes over the last few decades on the world stage in general and in particular in the world of tax and international trade, namely:-

- The explosion of the international narcotics and firearms trade,
- the menace of international terrorism,
- the processes of trade liberalisation
- the internationalisation of production,
- the rapid developments in information and communication technology and
- the internationalisation of criminal activities

These have all fuelled the complexities of tax administration. Countries, in an effort to get these issues under control, and equally importantly, to minimise tax avoidance and evasion, are imposing more and more requirements on each other in the areas of tax and border control among others.

As a result tax rules and obligations are becoming more complex and more global. The now day-to-day reality of concepts like transfer pricing, FATCA, Global Forum and Base Erosion Profit Sharing (BEPS, i.e. efforts to artificially shift profits to lower tax areas) must be more than obligations we fulfil because they are imposed on us. Such developments require an administration that is agile, flexible, responsive, proactive and highly professional.

Equally compelling are the domestic drivers that require us to ensure that we have a tax administration that not only protects our borders from the international threats, including the physical threat of the illegal importation of weapons and narcotics, but also ensures the efficient collection of tax revenues and duties to finance the needs of the population.

Added to this, the demand for superior national services, whether in education, health care, national security, social development or public utilities, places significant pressure on the government to ensure that the taxes due to the people of Trinidad and Tobago are collected, and collected efficiently.

Fairness and Equity

The current system of taxation places the burden of revenue collection on a few:

- employees (from both the public and private sector, whose taxes are withheld at source
- compliant businesses which are audited every year or which are forced to endure delays in refunds etc.

while others contribute very little to the national coffers, even though they enjoy the same benefits as the tax paying citizens.

This is both inequitable and demoralising. It makes paying taxes both a financial and a psychological burden.

Almost three decades ago, the Government recognised these challenges, even though they were not as severe as they are now, and sought assistance from the International Monetary Fund, the World Bank, the United States Internal Revenue Service and the United Nations Conference on Trade and Development (UNCTAD).

There have been some marginal improvements in the system as a result of these interventions. However, by 2001 it was clear that the tax administration system in the country required a comprehensive overhaul. As a consequence, the then Government appointed an inter-sectoral committee, headed by Mr. Gordon Deane, to review the country's tax administration system and make recommendations for its improvement. It was made up of persons from

- IRD
- CED
- Other public service agencies
- Private sector

The Deane Committee submitted its report and noted the following weaknesses in the tax administration system:

- Deficiencies in the legislative framework;
- High incidence of corruption and corrupt practices;
- Poor customer relations;
- Anti-business rules and regulations;
- Deficient human resource management;
- Inadequate management capability, accountability and training;
- Inadequate information exchange and co-ordination between the administration and other agencies for various taxes levied;
- Lack of control over and accountability for budgetary allocations;
- Inadequate employee compensation packages;
- Inadequate staff development, training and accountability;
- Inefficient systems for internal investigation and enforcement;
- Inadequate physical accommodation;
- Outdated and inadequate use of technology.

The Committee also concluded that the comprehensive changes that were necessary were not possible in the Public Service framework. It therefore recommended the creation of a Revenue Authority, outside of the Public Service. Despite continued efforts since that time to bring about improvements in tax administration, the implementation of the fundamental recommendation of the Deane Committee remains a compelling need.

Misunderstanding and Misinformation

There have been many misconceptions of the concept of a revenue authority, which have unfortunately, fuelled some of the scepticism we now encounter.

It is important to note that revenue authorities, aka semi-autonomous revenue authorities, aka unified tax administration bodies, have been in existence for some time. The IRS in fact fits the criteria of a revenue authority. The modern revenue authority of today, paradoxically is fashioned after the independent executive agency introduced by the UK, the very nation which led to the creation of the creature that is the T&T public service, with all its strictures and rules. At the time of our independence from the UK, we were “encouraged” to include in our constitution the requirement for, structure of and safeguards to protect the public service. This was aimed at least in part in providing safeguards for both public servants and the public at large.

However, even the UK (and other countries) came to recognise that the need for speed, flexibility and agility in the provision of government services could not be met by traditional public service bodies.

Since the start of the 1990s more than forty countries have created semi-autonomous tax administration entities. At last count the OECD (Organisation for Economic Co-operation and Development)) had identified such entities in more than sixty countries, including the US, the UK, Canada, Australia, Singapore, Mauritius, Kenya, Uganda, South Africa, Chile, Argentina, Peru, Guyana, Jamaica and Barbados. This dispels the myth and misrepresentations that only “poor African countries” have semi-autonomous tax administration systems and that such systems have failed.

In designing the TTRA we are guided by certain very clear principles and goals:

- 1) the creation of a revenue authority is not an end in itself. The revenue authority is expected to protect the national revenue and thereby contribute to sustainable national development;
- 2) the process of creating the TTRA and the TTRA itself should be examples of good governance, complying with the principles of Accountability, Transparency, Participation, Responsiveness, Equity, Effectiveness, Efficiency and the Rule of Law.

Among the most frequently asked questions is how can we be sure that in creating the TTRA we will bring about real change.

One of the foundational principles of the TTRA will be consequential performance management. Let's be open here: as a result of rigid Public Service rules, some persons in both agencies can engage in behaviours that are inimical to the public interest, and in the words of the Deane Committee, downright corrupt, with little fear of consequences. The few impact the ability of the majority to do their work well and tarnish the reputations of our institutions. We will build into the TTRA strong work rules and policies, which will be buttressed by fair and transparent, but firm and efficient processes to deal with misconduct.

From our perspective, the role of stakeholders like ICATT is critical. We need you:

- To engage in the free exchange of ideas;
- To fully support our work as we build out the TTRA;
- To be cooperative and to assist us as we work to a smooth transition to the TTRA and address any snags that may arise;

- To endorse the enactment of the law to facilitate the implementation of this change;
- To be open to ongoing collaboration post implementation in identifying and stamping out corrupt practices both within the organization and by those who facilitate, encourage and instigate such practices, since there cannot be corrupt tax administrators without corrupt taxpayers.

Closing

As someone who has practiced on both sides of the fence, having worked in the IRD as well as in private practice as a tax consultant, I am aware of both the challenges and the potential and I am excited about the prospect of the introduction and operation of the TTRA.

You will receive more detail of our progress in the subsequent presentation by our Programme Director of the TTRA, Dr. Andre Vincent Henry and I look forward to our discussion later on during the Q&A session.

Thank you.