Statement by the Hon. Colm Imbert, MP, Minister of Finance
on the Trinidad and Tobago Revenue Authority Strategic Plan 2023 – 2025
House of Representatives
February 24, 2023

Madam Speaker, I have been authorized by Cabinet to make the following Statement. I therefore thank you for the opportunity to deliver this Statement on the Three-Year Strategic Plan for the Trinidad and Tobago Revenue Authority (TTRA) for the period 2023 to 2025 which was laid in this House today, in accordance with the provision of section 30 of the Trinidad and Tobago Revenue Authority Act, No. 17 of 2021 and the approval of Cabinet.

Introduction

The decision to establish the TTRA was driven by the need to address deficiencies in the current system stemming from limitations within the Public Service. Long-standing deficiencies in the system have been identified and documented in feasibility and performance reports dating back as early as 2002.

Subsequent to the legislative process and passage of the TTRA Bill, 2021 in both Houses, the TTRA Act, 2021 was assented to by Her Excellency the President of Trinidad and Tobago on December 23, 2021.

The Act enables the TTRA to function according to its mandate, but through a hybrid system, whereby the Enforcement Division will still be guided by the Public Service Commission. Through benchmarking against several models, the structure chosen for the TTRA combines the functions of two divisions of the Ministry of Finance, namely the Inland Revenue Division (IRD) and the Customs & Excise Division (CED). As one revenue collecting agency, there will be several

benefits and synergies, including cost efficiencies, data sharing and improved risk mitigation frameworks.

The IRD currently faces challenges that impact the customer, the operations of the organization and the level of tax collection within the country. Deficiencies in the system damage the social contract between the citizen and the collection agency and contribute to the trust deficient leading to non-compliance. The TTRA has set out several ways in which these challenges can be mitigated to ultimately enhance the customer experience to drive voluntary compliance, and the employee experience to drive efficiencies.

The CED's internal pain points and challenges give way to a longer and inconsistent revenue collection methodology and higher prices for imports due to additional fees charged that do not form part of the government's tax revenue. The TTRA aims to provide a more seamless process to customers and create an environment focused on trust and transparency.

By Legal Notice No. 60 dated March 14, 2022, the TTRA Act was partially proclaimed to provide for the appointment of the Board of Management, the recruitment of staff and other matters.

In June 2022, the Board of Management of the TTRA was appointed and pursuant to the legislative requirement, as per Section 30 of the TTRA Act, in December 2022 the Board submitted the TTRA's first three-year Strategic Plan for the period 2023-2025; inclusive of a three-year Roadmap and detailed Operational Plan for year one.

Main Points of the TTRA's Strategic Plan 2023 – 2025

Madam Speaker I wish to emphasize the Trinidad and Tobago Revenue Authority (TTRA) was established in 2021 by an Act of Parliament of the Republic of Trinidad and Tobago. With an estimated domestic tax gap of up to $10 billion, the Government, through the TTRA, is actively seeking to address this fiscal vulnerability and close the tax gap by improving the efficiency and efficacy of the country's revenue collection. In order to stimulate economic growth and development, the Government needs sustainable sources of financing for social programs and government investments which calls for a strengthened revenue administration inclusive of effective trade facilitation and border control.

The most cost-effective systems for collecting revenues are those that encourage customers to **meet their obligations voluntarily**, leaving authorities to concentrate their efforts on those customers who do not comply. A robust and effective system would prevent further leakages in revenue collection, thereby providing additional funding to maximize public services and provide an enriched quality of life for all throughout Trinidad & Tobago

To promote transparency, the TTRA Board has highlighted in its Strategic Plan, key discussion points of the Act, which will be featured in the communication to future staff and the wider public, as an education forward strategy to create buy-in and comfort around the legal framework of the TTRA.

The Strategic Plan seeks to offer a smooth merger and transition for the two organizations and mitigate the anticipated challenges that may be faced.

The salient aspects of the Strategy being presented are as follows:

At an overarching level, the TTRA will achieve its strategic objectives and aim to meet its targets through execution of its initiatives over the next three years 2023 to 2025 as follows:

- **Year 1: Integrate and retain;**
- **Year 2: Transition;** and
- **Year 3: Transform and grow**.

The TTRA's aim is to retain its tax collection levels in the first year, 2023, followed by a 1% and 3% increase in the tax-to-GDP ratio in years two and three, 2024 and 2025, respectively.

The Board will execute its strategy in a manner that does not unduly disrupt trade, or economic development by imposing onerous and unnecessary administrative tasks on taxpayers, traders and businesses. It will carry out its responsibilities in a manner guided by its core values: Equity, Trust, Transparency, Accountability, Responsiveness, Innovation and Risk intelligence, and governed by their guiding principles.

TTRA VISION: To be a trusted and fair revenue administration that acts with integrity and transparency, committed to closing the tax gap and to effective trade facilitation, through voluntary compliance, innovative solutions, enhanced citizens experience and an empowered workforce.

Strategic objective 1: To establish a high-performing and ethical workforce that is instilled with a sense of purpose, pride and are empowered to achieve the objectives of the TTRA, as follows:

1. Recruit and retain suitable resources for TTRA for the transition period and beyond
2. Revisit and redefine the Enforcement function to ensure greater alignment with proposed structure
3. Manage the transition of existing IRD and CED employees to support the operationalization of the TTRA (in accordance with the provision for the TTRA Act)
4. Develop an integration and transition management strategy.
5. Establish TTRA organizational culture.
6. Promote business continuity throughout transition phase and beyond.
7. Define a continuous learning and training programme for all levels of staff
8. Promote and assess employee engagement.
9. Optimize the workforce structure for the efficient delivery of the TTRA's services.

Strategic objective 2: Educate taxpayers effectively and make it simple for them to comply with their obligations, as follows:

1. Ensure consistent application of the laws by TTRA audit/enforcement staff in accordance with the institution's interpretation of the law
2. Develop clear and simple to use revenue services that allow customers to easily file their tax returns and pay duties thereby encouraging voluntary compliance

Strategic objective 3: Create an innovative and data driven organization that will drive greater compliance and ***Strategic objective 4:*** Modernize systems to enhance and streamline our online services, as follows:

1. Develop IT Blueprint for TTRA detail9ing intended IT landscape (including technology components) and define key IT roles
2. Optimize existing systems
3. Develop a data strategy to guide the pertinent data to be collected, secured, managed and used to drive actionable insights around identification of suspicious behaviour, non-compliance and accurate revenue collection (unlock data potential)
4. Actively implement simple innovations which may have significant positive implications on voluntary compliance
5. Establish cybersecurity program to protect TTRA from cyberthreats and data breaches
6. Improve the valuation process for customs through innovation

Strategic objective 5: To modernize revenue collection systems and processes to drive efficiency, improve stakeholder experience and detect and reduce non-compliance, as follows:

1. Review, validate and update existing processes as necessary
2. Convert processes into new system requirements for RFP purposes
3. Define service delivery channels
4. Review and refine legislation as necessary
5. Establish an Enterprise Risk Management framework
6. Optimize TTRA corporate governance framework

7. Develop internal audit plan

8. Develop a policy framework and promote the use of SOPs which will improve the ease of doing business

9. Optimize and automate key processes

10. Develop mitigation practices against non-compliance

11. Improve the enforcement arm of customs and excise by developing clear guidelines to regulate transit sheds owned and operated by the private sector

12. Initiate the process to further implement the Common Reporting Standards to support the Automatic Exchange of Information (AEOI)

Strategic objective 6: Create public trust and confidence in the revenue administration system, as follows:

1. Develop and finalize detailed communication plans across all media types to actively inform all stakeholders of the TTRA formation building trust through transparency and visibility.

2. Formally launch the TTRA

3. Develop long-term communications plans to update stakeholders on incremental improvements and demonstrate transparency

4. Develop and launch a new TTRA website and withdraw the current CED and IRD individual websites, so as to avoid confusion to citizens and trade community

Key Initiatives to achieve Year 1 Objective-Integrate and Retain Phase

Some of the primary activities that are expected to be executed in this year include:

• Detailed review of the existing legislation, including that which currently governs the IRD and CED, to obtain clarity around what the TTRA is and is not responsible for within the capacity of the Trinidad & Tobago Revenue Authority Act

• Consistent application of the laws by TTRA audit/enforcement staff in accordance with the institution's interpretation of the Law

• Review and update of existing work rules and promote use of standard operating procedures (SOPs) to ensure consistency and ease of doing business

• Development of an integration and transition management strategy

• Recruitment of suitable resources to support the transition to the TTRA - a dedicated transition team/steering committee to ensure the seamless integration of the existing divisions (IRD and CED)

• Recruitment of key resources and leadership roles for the TTRA

• Assessment of HR requirements inclusive of new skills that may need to be acquired to facilitate a digitized revenue administration

• Process reengineering exercise with key representatives of the CED and IRD which will promote buy in and improve success rate

• Develop baseline for key metrics – sample metrics are included at this point of time as a guide

• Execution of an integrated communications and PR strategic plan, which will deliver influential messaging and create the desired perception of the TTRA so as to obtain buy-in from key stakeholders and the general public

• Improve and upgrade the TTRA website

Key Initiatives to achieve Year 2 Objectives-Transition Phase

Some of the primary activities that are expected to be executed in this year and are dependent on achievement of Year 1's objectives include:

- Clear and simple-to-use revenue services for all-inclusive payment of tax and duties
- Greater online and digital channel options through which customers can transact and interact
- Education-first approach to promote awareness on customer obligations
- Develop clear guidelines to regulate and ensure compliance of transit sheds owned and operated by the private sector
- Facilitate efficient supply chain for exporters and importers
- Development of data strategy and establishment of a centre of excellence focused on data and use of analytics to drive compliance and target areas of revenue leakage using a risk-based approach
- Recruit persons with pertinent analytical skills e.g. data analysts and scientists
- Establish other centres of excellence/units dedicated to specific customer segmentation e.g. Oil & Gas, Large corporates, MSMEs, financial institutions etc.
- Implement new digital platforms as identified and selected in the future state architecture assessment and relevant training on systems
- Reduce manual processes
- Focus on establishing a risk intelligent culture that embodies all the TTRA core values and minimizes the level of bureaucracy.
- Continuous roll out of communication strategy to maintain buy-in and positive public perception

Key Initiatives to achieve Year 3 Objectives-Transform and Grow

Some of the primary activities that are expected to be executed in Year 3 and are dependent on achievement of Year 2's objectives include:

• Strengthen customer compliance and enforcement by using advanced technologies/analytics coupled with skilled professionals.

• Explore the use of advanced data modelling, artificial intelligence and machine learning to provide a 'whole taxpayer' view which can identify instances of noncompliance/fraudulent behaviour

• Utilize advanced analytics to better segment tax cohorts to provide tailored support such as timely refunds and payment options that align with their unique circumstances.

• Utilize application programming interfaces (API) to exchange taxpayer data seamlessly and securely across the Governmental ecosystem (e.g. RGD, National security etc.) to maximize revenue collections and minimize potential for revenue leakages

• Development of mitigation strategies to address/reduce the presence of the 'shadow economy' within Trinidad and Tobago

• Improve the valuation process for customs through innovation e.g. web scraping tools to more accurately value goods

• Introduction of other tools and innovations to enhance customs operations such as use non-intrusive detection technology and data mining to identify importation fraud

• Improve conditions of existing sub-standard customs office accommodation

• Transparently communicate compliance issues and results and address compliance barriers

The successful achievement of the TTRA's strategic objectives requires that the organizational structure provides the framework upon which the initiatives and objectives can be based. Fundamentally, the focus will be placed on performing the Authority's main responsibility of revenue collection and administration through technical services and enforcement division, leveraging data through center of excellence, supporting the organization through core shared services, and maintaining integrity through an independent integrity promotion unit which will report into the Board and enhance internal compliance.

Digital transformation can help tax administrations solve challenges.

In recent years, tax administrators globally have assumed new and evolving roles with ingenuity and skill. Through integration of digital platforms and forming partnerships, the digital transformation has been catalyzed. Digital transformation will play an essential role in supporting TTRA in addressing the challenges that arise in tax administration, but also in improving how businesses operate and people live.

Due to the central position of tax authorities in global interactions, digital payment and data are becoming increasingly significant in management, compliance and administration. These changes are raising security and privacy questions and challenging the traditional role of tax authorities. As such, organizations are being required to innovate and adapt to these changes. Based on the unique circumstances and context, tax authorities make decisions to ensure high quality service and efficient operations.

1. **Using a customer first approach when designing tax services**

The burden of filing accurate tax returns typically falls on the taxpayer. However, individuals often struggle to understand, document and process their tax liabilities. New tax requirements and compliance costs can also complicate process for businesses.

Many tax administrators have already made substantial progress in designing services around the customer and have already achieved a 100% e-filing rate.

2. **Applying advanced analytics and behavioral incentives**

Tax authorities are already using advanced data modelling, artificial intelligence (AI) and machine learning to provide a more holistic view of taxpayers. They are also tailoring services to specific taxpayer groups to make it easier to comply (and harder to evade).

Advanced analytics can help authorities personalize services further by better segmenting tax cohorts. This allows tax collectors to give more empathetic support to lower-income households and struggling businesses –making sure they get refunds first, giving them more notice of assessments and deferring payment schedules.

3. **Using real-time data to improve compliance and mobilize revenue.**

Currently, many leading tax authorities use an application programming interface (API) to exchange tax data between two parties in a secure environment. Under the UK's Making Tax Digital framework, more than one million

businesses have used API interfaces to supply business data directly to His Majesty's Revenue and Customs (HMRC).

The next evolution will be to upgrade cybersecurity so that adopting cloud technologies becomes cost-effective, scalable and secure. Mexico's Tax Administration Service has used cloud services since 2012, saving 20% in estimated investment costs. It now processes an average of over 180,000 e-invoices in real time per minute.

4. Enhancing technology with the right digital skills and ways of working

The pandemic revealed the challenges that tax administrators face in digital transformation. The explosion of data, digital technologies and analytical models is only helpful if tax administrations have the skills and working practices to implement them.

By using advanced digital technologies alongside skilled tax professionals, tax authorities can give taxpayers tailored support, including quicker access to refunds and payment options that meet their circumstances.

5. Harnessing tax data to improve Economic, Social and Government Policy

It's clear that digital technologies can revolutionize the taxpayer experience and make it simpler to comply. But as the biggest holders and processors of public data on citizens and businesses, tax administrations can also help their Governments improve economic and social policy.

Looking ahead, tax administrations can also share their data with each other and wider Government to help achieve ESG objectives: Identifying issues such as forced labour in supply chains.

Using blockchain to track and validate the sustainability of goods

Summary of Innovations from Global Revenue Administrations

Revenue administrations around the world have invested significantly in innovative solutions to address their challenges and improve revenue collection, compliance, and operations within their jurisdictions. All of this is in the TTRA Strategic Plan

Madam Speaker, I thank you.