



# Revenue Mobilisation Dialogue for PACER Plus Parties

FEBRUARY 28, 2024

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**PACIFIC FINANCIAL  
TECHNICAL ASSISTANCE  
CENTRE**

Supporting Macro-Financial Stability and  
Sustainable and Inclusive Growth in the Pacific



# **Revenue Mobilisation Dialogue for PACER Plus Countries**

## **Revenue Mobilisation in the Pacific**

FEBRUARY 2024

NADI, FIJI

# Today's Objectives and expectations

- **Creating dialogue – a discussion**
  - Today is focused on creating discussion and interaction with, and between, everyone.
  - We will focus on creating discussion throughout the day. This is only possible if everyone is willing to actively participate and get involved.
  - A lot of the sessions throughout the day are designed with this in mind. They will create discussion and interaction.
  - Remember, today we are not passengers, or observers, but active participants. We need everyone to commit to being actively involved.

# Objectives and expectations continued

- **Create a common set of information, language, and terms**
  - This is important because we have a mix of people here from today from different areas. To understand each other and get the most out of today's sessions we all need to speak the same language.
  - A common language involves using terms that people from all areas can understand.
  - A lot of information will be provided today so that everyone has a common set of information. This will facilitate good discussion throughout the day.
  - It is important to create an environment in which everyone is talking on the same level and are able to talk together and not past or above each other.

# Objectives and expectations continued

- **Establish a clear understanding of what revenue mobilisation is and the role of a revenue administration**
  - The first session will establish this so everyone has a similar level of understanding about both. This is the starting point for today.
  - This allows everyone to have the same base level of understanding from the start.
- **Establish a clear understanding of what the revenue mobilisation options are**
  - We will provide lots of information on options available to mobilise revenue. This is important so each country knows what the options are.
  - Two Pacific case studies (Tonga and the Cook Islands) that will be covered look at revenue mobilisation opportunities and levers applied by each country.

# What the data tells us – problem or opportunity?



Country	Revenue loss (as a % of government revenue)	USD
Samoa	4.6	10,000,000
Vanuatu	5.4	8,500,000
Solomon Islands	1.4	5,400,000
Tonga	4.1	3,800,000
Tuvalu	1.8	840,000
Cook Islands	0.01	12,000
Kiribati	-	-
Niue	1	-

# What the data tells us – problem or opportunity?

- Is revenue forgone from PACER Plus a problem? This is a decision for each country to make.
- Or does the revenue forgone create an opportunity to mobilise revenue? An alternative way to consider the revenue forgone from PACER Plus.
- Group exercise:
  - Is revenue forgone from implementing PACER Plus a problem?
  - Or does it create an opportunity?

Country	Revenue Forgone (USD)
Samoa	10,000,000
Vanuatu	8,500,000
Solomon Islands	5,400,000
Tonga	3,800,000
Tuvalu	840,000
Cook Islands	12,000
Kiribati	-
Niue	-

# Revenue Mobilisation in the Pacific – Past

- Revenue Mobilisation is nothing new. It is what has always done across the Pacific.
- Every country must ensure that revenue collected covers the costs of government. In the Pacific this has always been a challenge and focus.
- In tax administrations efficiently collecting is our purpose. Tax administrations always strive to efficiently collect revenue government are entitled to under the law making it easy to comply and hard not to.
- Whether you are from a tax, customs, immigration or the Ministry of Finance a focus of what we have done in the past is mobilising revenue.



# Revenue Mobilisation in the Pacific – Present

- Revenue mobilisation has been a focus in the Pacific in the past and this no different now.
- Many revenue mobilisation activities in the past are in progress and in some cases have just began. There are many examples of current revenue mobilisation activities across the Pacific, some of which we will discuss today.
- Every country must ensure that adequate levels of revenue are collected to cover the government expenditure. This is important as financing options are limited.
- All countries have a continued level of focus on administrative and revenue mobilisation reform. This varies from country to country but continues.

# Revenue Mobilisation in the Pacific – Future

- Revenue mobilisation will continue to be a focus in the future.
- Today’s discussions might shape what this looks like for your country and whether any of the options covered will be implemented.
- Even if you do not think there is no problem, or opportunity, you may decide that one of the options we discuss today will be used to mobilise revenue for your country in the future.
- What we do know is that government expenditure creates a need for continued revenue mobilisation in the future.
  - Sustainable Development Goals
  - Climate change
  - Limited financing options

# Today's outcomes

- Establish a clear understanding of what the revenue mobilisation is and the role of a revenue administration.
- Help countries to consider whether revenue forgone from implementing PACER Plus is a problem or opportunity.
- Confirm what the options are to mobilise revenue.
- So by the end of the day each country can make a decision on whether revenue mobilisation is needed and what options can be used to do this.

- **Session 4 PACER Plus**

## **Revenue Mobilisation in the Pacific**

- **What is Revenue Mobilisation**
- **What is the role of Revenue Administration**

**John McAlister**

# Introduction to Domestic Revenue Mobilisation

Let's start with your ideas.

- ▶ What is your understanding of **Domestic revenue mobilisation**?

The IMF defines Domestic Revenue Mobilisation (DRM) as:

- ***The process through which countries raise income to fund public services, development, and operations through the collection of taxes, fees, and non-tax revenues from domestic resources, rather than relying on foreign aid, loans, and grants.***

It includes revenues from:

- ▶ Tax - personal and corporate income, value-added, sales, and excise and
- ▶ Non-tax - resource royalties, charges for services, and property sales, so
- ▶ All government revenues

# Understanding Revenue Mobilisation in PICs

Post COVID-19 pandemic, PICs need to make DRM a priority to bring down public debt, restore fiscal space, finance SDG and climate change, build financial resilience and autonomy.



## Unique Challenges

- Small economies,
- Limited diversification,
- Geographic isolation,
- Environment vulnerabilities,
- Respecting culture.

*Supporting diversification, leveraging technology, respecting culture while increasing inclusion.*



## Administration empowers DRM

- Central role in policy implementation,
- Balance between maximising collection and being efficient without creating unnecessary economic burden.

*Balance in enforcement, rights, standards and burden.*



## Implement or create law

- Understand the law,
- Use the powers of enforcement impartially,
- Transition to modern, efficient and digital solutions.

*Modernisation to reduce cultural influence, broaden the base and reduce informality.*

# Options for Addressing Revenue Mobilisation



## New Policy

- Introduce a new tax or charge to increase revenue.  
*However, will the burden fall to those already compliant.*
- What is the policy appetite?



## Policy reform

- Simplifying tax codes
- Broaden the tax base.
- Reduce tax expenditure
- *These may be 'good' policy, but require policy support*



## Administration reform

- No administration ever collects 100%
- What is the 'gap'?  
*Improving efficiency through, for example, digitalisation, better taxpayer services, and compliance strategies.*



## Sector specific strategies

- Tailoring approaches to unique sectors such as natural resources, digital economy, and informal sectors



## International cooperation

- Combating tax evasion, base erosion, and profit shifting (BEPS) through global partnerships and agreements

# Activity:

## What is the Business of Revenue Administration?

- Why do Administrations exist?  
Why do policy advisers / makers exist?
- ▶ What is their **Purpose**?

### ***What Is Purpose?***

To psychologists, **purpose** is an abiding intention to achieve a **long-term** goal that is both personally meaningful and makes a **positive mark on the world**.

The goals that foster a sense of **purpose** are ones that can potentially **change the lives** of other people.



# Activity Step 1

Reflect among your colleagues on these questions:

- ▶ What is our job as administrators (or in policy)?
- ▶ What benefits are we bringing to the country and the world?
- ▶ What is our goal?
- ▶ How do we know when we are doing a good job?

Make sure to take some notes on the worksheet.

*Who would like to share thoughts?*

## Activity: What is the business of revenue administration?

### Goal

Help the group to identify and define the commonality in their purpose as revenue administrators. (Why revenue administrations exist).

### Step 1:

a) What is our job as revenue administrators?

b) What benefit are we bringing to the country and the world?

c) What is our goal?

d) How we know we've done our job?

### Step 2:

*(Draft) The purpose of our revenue administration is ...*

Try to keep it to around 20 - 25 words!

### Step 3a:

*What I like in other people's purpose statement:*

### Step 3b:

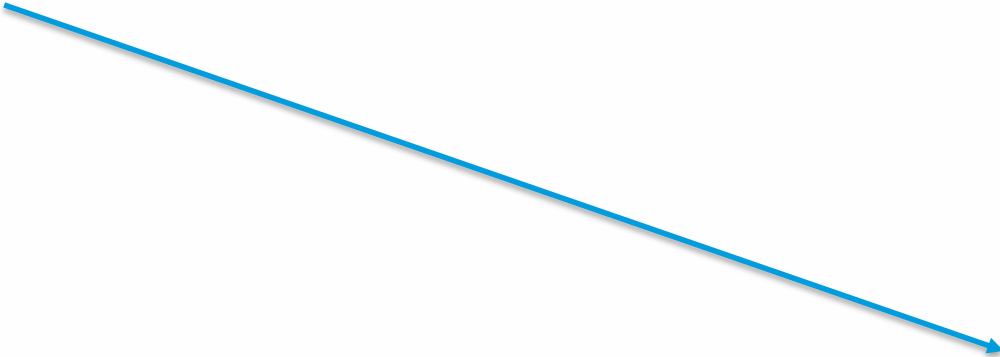
*(Revised) The purpose of our revenue administration is ...*

# Activity Step 2

Now, as individuals, using the worksheet:

- ▶ ***In your own words, write down your version of the purpose***

Try to keep it to around 20 - 25 words.



## Activity: What is the business of revenue administration?

### Goal

Help the group to identify and define the commonality in their purpose as revenue administrators. (Why revenue administrations exist).

### Step 1:

a) What is our job as revenue administrators?	
b) What benefit are we bringing to the country and the world?	
c) What is our goal?	d) How we know we've done our job?

### Step 2:

*(Draft) The purpose of our revenue administration is ...*

Try to keep it to around 20 - 25 words!

### Step 3a:

*What I like in other people's purpose statement:*

### Step 3b:

*(Revised) The purpose of our revenue administration is ...*

# Activity Step 3

I would now like to hear from some of you.

This is an opportunity to note down things you hear, different perspectives and that challenge your thinking!

In the last step, I will ask you to rewrite your purpose statement to include anything new you would like to include.

*Who would like to share the Purpose they have written?*

## Activity: What is the business of revenue administration?

### Goal

Help the group to identify and define the commonality in their purpose as revenue administrators. (Why revenue administrations exist).

### Step 1:

a) What is our job as revenue administrators?	
b) What benefit are we bringing to the country and the world?	
c) What is our goal?	d) How we know we've done our job?

### Step 2:

*(Draft) The purpose of our revenue administration is ...*

Try to keep it to around 20 - 25 words!

### Step 3a:

*What I like in other people's purpose statement:*

### Step 3b:

*(Revised) The purpose of our revenue administration is ...*

# Last Step (almost)

Having heard some of your colleagues,

And having taken some notes...

Use the worksheet to rewrite the **purpose** to reflect anything new you would like to include.

*Who would like to share the new Purpose they have written?*

## Activity: What is the business of revenue administration?

### Goal

Help the group to identify and define the commonality in their purpose as revenue administrators. (Why revenue administrations exist).

### Step 1:

a) What is our job as revenue administrators?

b) What benefit are we bringing to the country and the world?

c) What is our goal?

d) How we know we've done our job?

### Step 2:

*(Draft) The purpose of our revenue administration is ...*

Try to keep it to around 20 - 25 words!

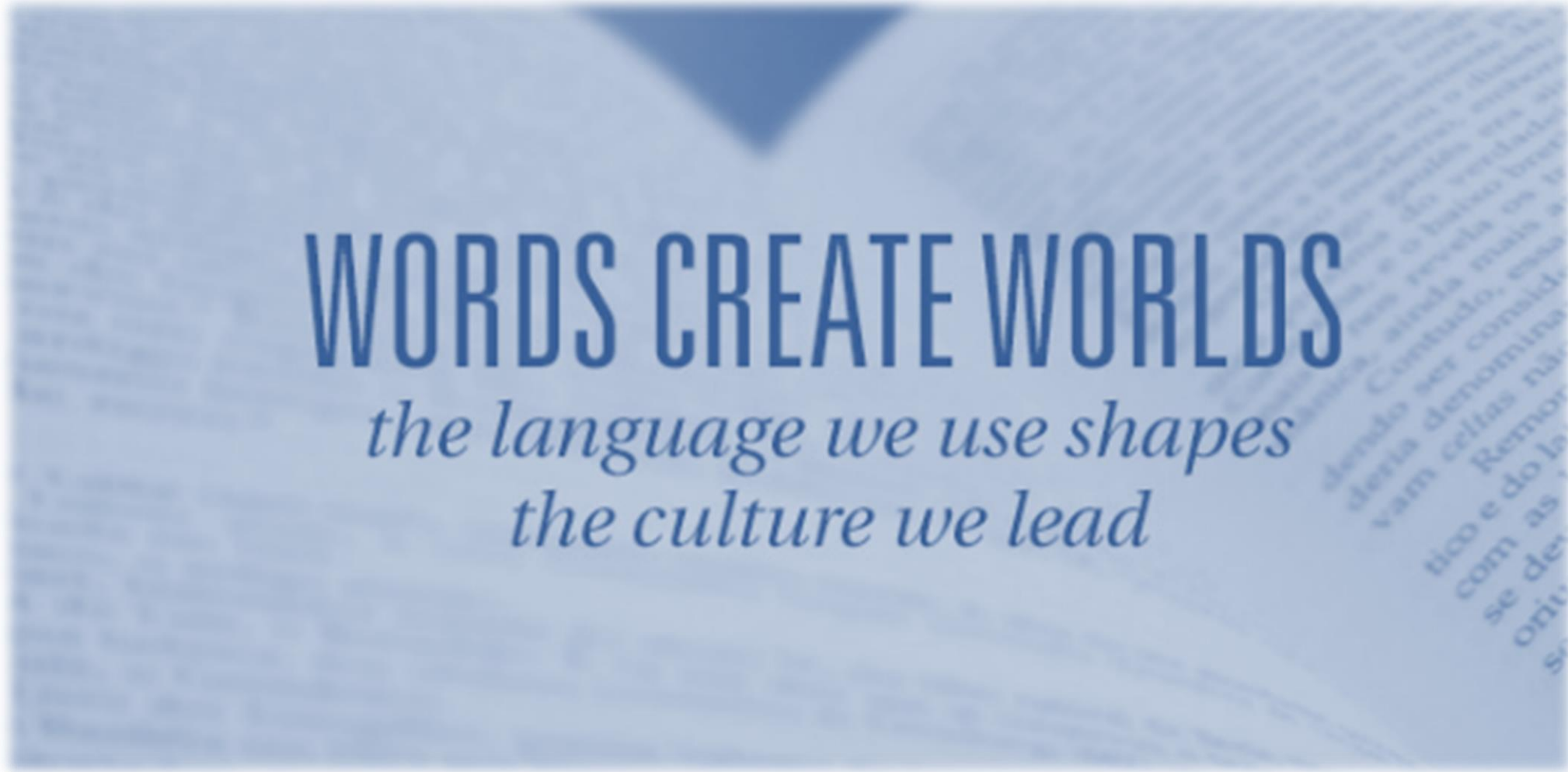
### Step 3a:

*What I like in other people's purpose statement:*

### Step 3b:

*(Revised) The purpose of our revenue administration is ...*

# Reflection



***What you say, and what you do, is the culture you lead!***

# Recap:

- Introduction to Domestic Revenue Mobilisation
- Many Drivers for Revenue Mobilisation
- Options for Addressing Revenue Mobilisation
- What is the Business of Revenue Administration

## ***Purpose***

An abiding intention to achieve a **long-term** goal that is both personally meaningful and makes a **positive mark on the world**, and potentially **changes the lives** of people.

# Role of Policy Makers and Authorities

There are three key government ‘actors’ that are central to improving revenue mobilisation: Policy makers through Ministry of Finance (or Treasury), Tax authorities, and Customs authorities.



## Ministry of Finance

- Designing fiscal policies and tax reforms aligned with economic goals.
- Ensuring stability through prudent fiscal management.
- Coordinating with authorities to achieve DRM objectives.
- Engaging with international institutions for policy guidance and support.



## Tax Authorities

- Implementing tax policy reforms and ensuring compliance.
- Enhancing taxpayer education and services.
- Leveraging technology for effective tax administration and enforcement.
- Conducting audits and combating tax evasion.



## Customs Authorities

- Facilitating trade while ensuring compliance with tax and tariff regulations.
- Modernising through technology.
- Critical role in addressing smuggling and under-valuation of goods.
- Collaborating to improve efficiency & compliance.

# To move forward ...

Within the context and culture of individual countries:



What are the options?

Policy  
Administrative



What are the barrier?

Capacity, capability  
Policy will



What is the  
current tax gap?

Measure the gap  
Risk management & prioritisation



Prioritise:

Assess likelihood & consequence  
Introduce or improve  
Invest or status quo



# Move toward Revenue mobilisation iteratively

Start 'somewhere,  
iterate and grow



Do not try to do too much,  
or risk nothing getting done

Repeating activities is not failure,  
it reflects that change is hard.

Be adaptive, flexible,  
and outcome focused.

# MORNING TEA

- **Session 5 PACER Plus**

## **Revenue Mobilisation in the Pacific**

- What does the research tell us
- Options, Levers, Opportunities

**Katrina Williams**

# The Research

INTERNATIONAL MONETARY FUND

ASIA AND PACIFIC DEPARTMENT

## Funding the Future Tax Revenue Mobilization in the Pacific Island Countries

Prepared by Mouhamadou Sy (lead), Andrew Beau Enakshi Das, Georg Eysselein, David Kloeden, and Katrina Williams, under the guidance of Todd Schn and Tahsin Saadi Sedik

DP/2022/015

FISCAL AFFAIRS DEPARTMENT

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### Pacific Forum Island Countries

#### PACER Plus: Options to Replace Expected Revenue Loss from Trade Taxes in Pacific Forum Island Countries

Diego Mesa Puyo, Augusto Nguema, and Nate Vernon

Technical Assistance Report | November 2016



INTERNATIONAL MONETARY FUND

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## Building Tax Capacity in Developing Countries

Juan Carlos Benitez, Mario Mansour, Miguel Pecho, and Charles Vellutini

SDN/2023/006

IMF Staff Discussion Notes (SDNs) showcase policy-related analysis and research being developed by IMF staff members and are published to elicit comments and to encourage debate. The views expressed in Staff Discussion Notes are those of the author(s) and do not necessarily represent the views of the IMF, its Executive Board, or IMF management.

# PACER Plus: Options to Replace Expected Revenue Loss from Trade Taxes in Pacific Forum Island Countries (2016)

## IMF approach on Appropriate Responses to Lost Trade Revenue

Low rates and broad bases: Excises are usually the first line of defense: Direct and indirect taxes should also be included in the mix: Indirect taxes should not be misused as de facto tariffs: Value added tax (VAT) is ideal among indirect taxes: Eliminating incentives on direct taxes is key



## Expected revenue loss and revenue neutral options

**Cook Islands** could lose only 0.01 percent of government revenue, which is equivalent to USD 0.012 million in 2014, through PACER Plus.

**Kiribati** - PACER Plus is not expected to lead to any revenue effects, as most import duties have already been abolished.

**Niue** could lose 0.1 percent of government revenue through the PACER Plus.

**Samoa** could lose 4.6 percent of government revenue, which is equivalent to nearly USD 10 million in 2014, through PACER Plus.

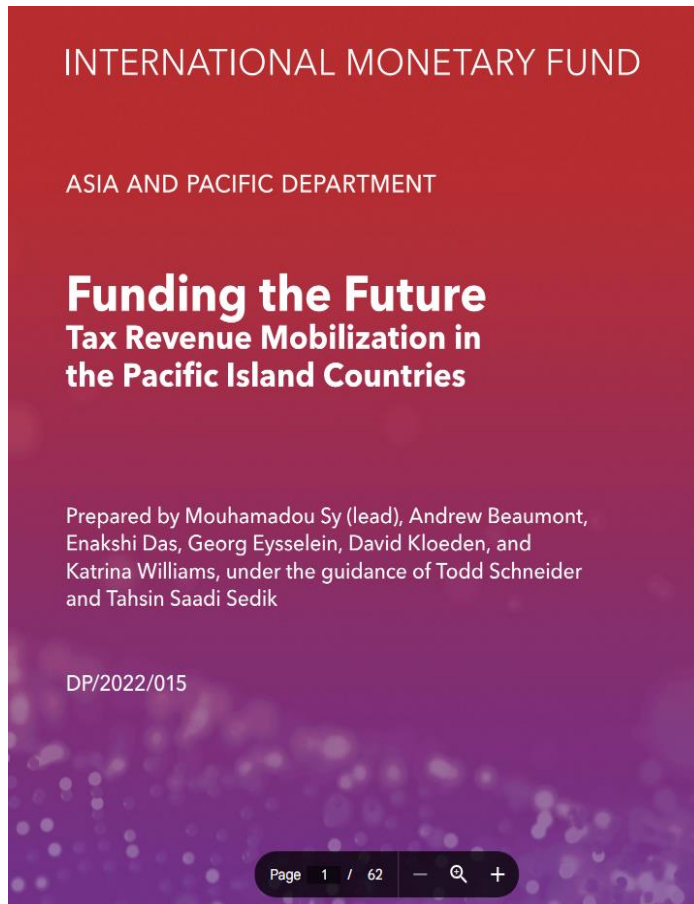
**Solomon Islands** could lose 1.4 percent of government revenue, which is equivalent to USD 5.4 million in 2014, through PACER Plus.

**Tonga** could lose 4.1 percent of government revenue, which is equivalent to USD 3.8 million in 2014, through PACER Plus.

**Tuvalu** could lose 1.8 percent of government revenue, which is equivalent to USD 0.84 million in 2014, through PACER Plus.

**Vanuatu** could lose 5.4 percent of government revenue, which is equivalent to USD 8.5 million in 2014, through PACER Plus.

# Funding the Future: Tax Revenue Mobilisation in the Pacific Island Countries



- Current revenue mix skewed toward non-tax revenue
- An additional 3% could be collected in the short to medium term
- Over reliance on fishing revenue and grants, lack of reform momentum, policy and legislation constraints, insufficient ICT support, understaffed and underfunded tax administrations
- Potential of an efficient VAT system is not fully exploited-VAT rates low and tax exemptions and zero rating widespread
- Proposes:
  - Unwinding fiscal relief measures - those policy and revenue measures introduced during pandemic
  - Strengthening or introducing VAT system-single broad based rate, improve Customs admin
  - Rationalising tax exemptions-tax expenditures need to be formally and regularly assessed in annual budgets; rationalised to limit revenue foregone
  - Closing loopholes in tax system- transfer pricing induces revenue losses for some PICs. Introducing personal income tax (PIT) while increasing tax free thresholds in countries that already have PIT
  - Reforming tax administration-many tax admins understaffed; sufficient funding needed for investment in ICT support, e-tax, e-commerce, digitalisation and tackling corruption
  - MTRS- adopt a more holistic approach

# Building Tax Capacity in Developing Countries

INTERNATIONAL MONETARY FUND

## Building Tax Capacity in Developing Countries

Juan Carlos Benitez, Mario Mansour, Miguel Pecho, and Charles Vellutini

SDN/2023/006

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- Tax Capacity - a fiscal function - associated with accelerated growth and better institutions - once revenue level of 13% GDP reached
- Tax capacity - policy, institutions and technical capabilities to collect tax revenue
- LIDCs can raise their tax to GDP ratio by between 6.7 and 9 percentage points:
  - strengthening design of core taxes-VAT, excises, PIT, CIT
  - broaden tax base - reform ineffective tax expenditures, more neutral taxation of capital income, real property taxes, digital services/parcels
  - improve institutions - adequate tax policy units, capability of tax design and implementation, digital technology, transparency and certainty
- Segmentation of taxpayers contribute positively to managing compliance risk

***Practical lessons and guidance on how to improve tax capacity, with emphasis on LIDCs***

LIDCs in Pacific affected by PACER Plus - Solomon Islands, Kiribati,

# Research – Options, Levers, Opportunities

## Common Themes for Revenue Mobilisation

Revenue Mobilisation options are reasonably consistent:

- VAT/GST are efficient indirect taxes - there appears to be potential to increase revenue collected via VAT/GST.
- VAT/GST - Single broad based rate
- Tax Expenditures AKA exemptions and concessions should be minimised; and reviewed and reported on regularly. In some countries significant revenue foregone
- Broaden tax base - right mix of taxes
- Consider changes to PIT
- Improving revenue administration - Funding and performance
- Improve cooperation between tax and customs and data sharing
- Ensure enabling capacity - tax policy, digitalisation, transparency and certainty





## ▪ **Session 6 PACER Plus**

# **Revenue Mobilisation in the Pacific**

## **Introduction to Opportunities and Levers**

- Improving current performance
- Tax Gap Assessment
- TADAT (Tax Assessment Diagnostic Tool)
- MTRS - (Medium Term Revenue Strategy)

**Xavier Mitchell, George Mow, John McAlister, Katrina Williams**

- **Session 7 PACER Plus**  
**Revenue Mobilisation in the Pacific**

## **Can Tax Policy Help?**

- **Cook Islands Tax Policy Review (Xavier Mitchell/Alan Richardson/Maria Matua-loane)**
- **Tonga - Tax Reform Options to Replace Expected Revenue Shortfall From PACER Plus**

# Cook Islands



## Tax Reform Options to Fund Government Initiatives and Related Expenditure

**A case study illustrating tax policy options considered and implemented in the Cook Islands**

February 2024



# Tax Policy Reviews Undertaken

- The reported revenue impact of PACER Plus for the Cook Islands is minimal. Although mentioned in the tax policy reviews completed, not the reason the Cook Islands has undertaken three tax policy reviews.
- Revenue mobilisation was the driver. The tax policy reviews completed provided many options to consider which could be used as levers to raise additional revenue.
- 2013 – A comprehensive review (tax, customs, and wider social policy considerations).
- 2020 – The report noted that the tax system reasonably sound, but there were some areas for further improvement. Tax policy reforms were recommended to make the tax system more equitable and efficient, while providing options for future revenue sources.
- 2023 – Complimented and updated recommendations of the 2020 report on possible tax policy reforms and future revenue sources.

# 2013 Tax Policy Areas of Focus

- Revenue performance and policies, tax rates, coverage of economic sectors and exemptions.
- Allocative effects/distortions caused by the tax system.
- Tax administration
  - Compliance, strategic planning, core operations and processes.
  - Tax outreach services - strategy and simplifying processes where possible.
  - Main support functions, including information technology and human resource capacity.
- Tax system issues
  - Disparity between company income tax (CIT) and PIT rates.
  - Trade protectionist measures in trade favor a few small producers.
  - Different tax rates for residents and non-residents who have the same level of income.
  - Different sources of income treated differently, raising issues of equity.

# Customs – Recommendations Overview

- A switch from a system of taxing certain imported goods, to an excise regime which applies to the product regardless of its origin.
- Reduce the overall number of levies that apply.
- Move away from an approach where the import charge is based on the price of the good (ad valorem tax) to one applied to the quantity imported (specific tax).
- PACER Plus revenue loss – neutralise by introducing excise instead of import duty.

# Customs – Recommendations

- Eliminate the practice of charging levies on all production sources (effectively moving from an import-levy to excise system).
- Exempt pearl production from the excise regime (remove exemption in the future).
- Maintain the planned increases to health related excises.
- Switch the current ad valorem (price-based) levy on sugary drinks to a specific (quantity-based) levy.
- Eliminate the import levies on pork, sea freighted eggs, ice cream, and seasonal vegetables.
- Increase the gift exemption allowance on imported packages.



# VAT – Overview and Recommendations

## Overview

- The aim was to shift some burden away from other tax types and towards VAT, while also eliminating other inefficient and inequitable taxes.
- Over half of VAT receipts are sourced from tourist spending, therefore shifting the tax system towards foreign income sources.

## Recommendations

- Increase the VAT rate to 15 per cent.
- Increase the registration threshold from \$30,000 to \$40,000.
- Increase the voluntary registration threshold \$15,000 to \$20,000.

# PIT – Recommendations Overview

- Revenue from the VAT rate increase enabled the reduction in PIT to be implemented.
- Even when including the VAT increase, the disposable income of households almost universally increases through large PIT tax cuts or via substantial increases in social welfare payments.
- Other recommendations related to general fairness of the tax system and the ease of filing tax returns (introduce e-filing).

# PIT – Recommendations

- Decrease the personal income tax rates and adjust PIT bands.

2013 personal income tax rates		2014 personal income tax rates	
Threshold / Income band	Marginal tax rates	Threshold / Income band	Marginal tax rates
Up to \$10,000	Nil	Up to \$11,000	Nil
\$10,000 to \$30,000	25 %	\$11,000 to \$30,000	18.5 %
\$30,000 upwards	30 %	\$30,000 to \$80,000	27.5 %
		\$80,000 upwards	30 %

- Remove the differential tax rate on secondary employment.
- Remove the differential taxing of non-residents, with incomes assessed on number of days in country. Introduce a 183 day rule to determine tax residency.
- Remove taxing exemption on pensions and allowances.
- Tax treatment of superannuation should be considered as a stand-alone review.

# CIT Overview and Recommendations

## Overview

- While some disparity was identified with CIT rates, when compared to personal tax rates, this is partially addressed by the PIT changes so no further reform was proposed.

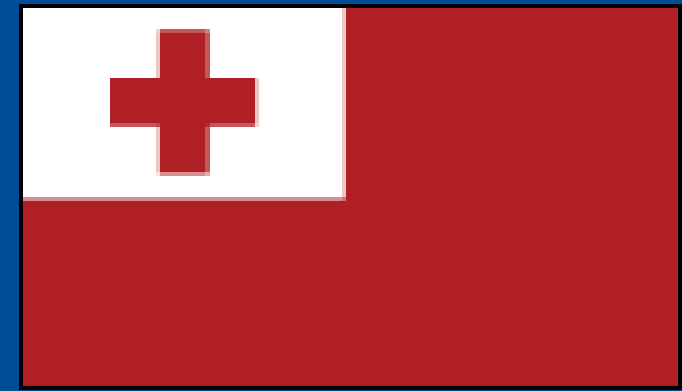
## Recommendations

- Rates remain unchanged.
- Review the company tax arrangements and consider unifying the local and international company tax rates at somewhere between 20 to 28 per cent.
- Do not implement a general capital gains tax.
- Eliminate the international airlines exemption.

# Questions?



# Kingdom of Tonga



## Tax Reform Options to Replace Expected Revenue Shortfall from PACER Plus

**A case study in understanding the problem and options to consider in responding**

May 2019



# What was the impact

The total estimated revenue loss from PACER Plus amounts to around 1-1.3 percent of Tonga's GDP, a size that is macro critical and needs to be addressed with proper policy responses:

- lost revenue on import duties – approximately T\$8.9m or 0.84% of GDP
- lost consumption tax (CT) on imports – approximately T\$0.74m or 0.07% of GDP
- foregone tariff collected on imports from non-PACER countries due to trade diversion

OVERALL – foregone tariff amounts to T\$1.2-\$3.5M – 10-30%

(assuming imports diverted from non-PACER to PACER countries)

# Tax Policy Measures

Much of the lost revenue from the implementation of PACER Plus could be recovered by significantly reducing CT exemptions.

Despite the recent excise changes, there may be potential for further revenue from excises, so the rates should be regularly reviewed, especially in the lead up to implementation of PACER Plus.

The key features of the corporate income tax (CIT) are sound, so the potential for additional CIT revenue is from a strategy to introduce and strengthen anti-avoidance measures and to eliminate tax holidays.

While changes to the CT, excises and CIT are the most likely sources of recovering lost trade revenues, there are other revenue raising options available to the government.

The options include:

- introducing a special tax on telecommunication services, as many other countries have done;
- broadening the tax base of the personal income tax (PIT) by taxing pension income (in the longer term) and taxing the salary and wage income of local staff of international organisations;
- increasing the withholding tax rate on land rent and other payments related to land leases, to address concerns about the low tax paid on these payments;
- and undertaking a coordinated review of fees and charges, including introducing a clear regulatory framework and procedures for non-tax revenues



# Tax and Customs Administration Measures

Strong measures will be necessary to implement PACER Plus in customs, notably addressing needs to manage origin-based duties.

Among the tax policy reform strategies described in this report, effective enforcement of strengthened anti-avoidance measures will have major administrative impact and require substantial capacity enhancement

# Overview of the key reform options in tax policy

## Tax Policy

Scale down CT exemptions by a significant extent.

Review excise taxes, especially in the lead up to implementation of PACER Plus.

Introduce and strengthen several anti-avoidance regulations to counter profits shifting by MNCs and eliminate CIT tax holidays.

Other policy options include: (1) introducing a special tax on telecommunication services; (2) broadening the tax base of the PIT by taxing pension income (in the longer term) and tax the salary and wage income of local staff of international organisations; (3) increasing the withholding tax rate on land rent and other payments related to land leases; and (4) undertaking a coordinated review of fees and charges, including introducing a clear regulatory framework and procedures for non-tax revenues.

# Overview of the key reform options in revenue administration

## Revenue Administration

Enhance capacity to control the origin-fraud risk from non-PACER countries, particularly through training customs officers and traders as well as improving risk management.

Plan a program to increase capacity to deal with profit-shifting, including training provided by (or recruiting) an expert with highly specialised knowledge in this area.

Explore more detailed administrative implications arising from a proposed new tax on telecommunication services.

Explore the opportunities to increase revenue and reduce revenue leakage through improving taxpayers' compliance and institutional reform of revenue administration, and seek PFTAC assistance in this regard.

- **Session 8 PACER Plus**

## **Revenue Mobilisation in the Pacific**

- **Table Time - what more do you want to know?**
- **Introducing Mentimeter**

**Xavier Mitchell**

- **Session 9 PACER Plus**

## **Revenue Mobilisation in the Pacific**

- **Questions and Answers**

# Summary and next steps

**Xavier Mitchell**