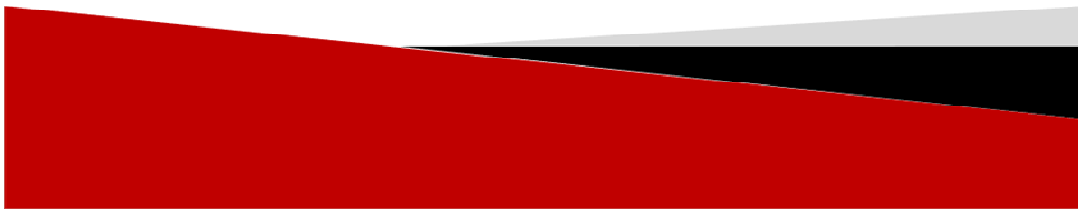

Overview of the Proposed Trinidad and Tobago Revenue Authority

Presented by:
Dr. André Vincent Henry
Chairman
TTRA Management Company
Limited

Port of Spain, 24th February 2010



Diagnostic of revenue collection management in Trinidad and Tobago

In 2002 Government appointed a committee comprising representatives of the private sector and government (including then current and former staff of the two divisions) to examine the institutional framework of revenue collection in Trinidad and Tobago.

That Committee, headed by Gordon Deane, a former president of the Trinidad and Tobago Chamber of Industry and Commerce, identified thirteen deficiencies in the existing institutional framework:

1. Deficient human resource management processes
2. Inadequate management capability, accountability and training
3. Inadequate staff development, training and accountability
4. Lack of control over and accountability for Budgetary Allocations
5. Inadequate employee compensation packages
6. High incidence of corruption and corrupt practices
7. Inefficient systems for internal investigation and enforcement
8. Inadequate information exchange and co-ordination between the administration and of various taxes levied
9. Poor customer relations
10. Anti-business rules and regulations
11. Lack of appropriate information technology systems
12. Poor physical infrastructure and accommodation
13. Deficiencies in the legislative framework.

The Committee also concluded that the revenue authority model of revenue collection management provided an excellent framework to tackle these deficiencies.

Outline of the Revenue Authority Model

The trend of Governments reverting to the semi-autonomous agency framework for managing revenue collection goes back to the mid-eighties and the countries which have established revenue authorities are found in all stages of development and on every continent. They include the Australia, New Zealand and Canada; Uganda, Tanzania and Zambia; Peru, Bolivia and Mexico; Bosnia and Macedonia; Philippines, Malaysia and Singapore; Jamaica, [Barbados](#) and Guyana.

The experience with the framework has not been totally positive in all countries and that can be expected. This, however, give us the opportunity to understand better what works, what the challenges are and how they may be addressed to ensure that Trinidad and Tobago could best benefit.

For Trinidad and Tobago, the key argument in favour of the revenue authority model is the mismatch between the dynamic demands of revenue collection administration and the static nature of the institutional framework.

The institutional framework for revenue collection in Trinidad and Tobago is the public service. Inland Revenue Division and Customs and Excise Division are part of the public service. The framework for the Public Service is the Civil Service Act of 1966. The Civil Service Act itself is modeled on old pieces of legislation, some from the eighteen century.

When we talk about the dynamic nature of revenue collection, what do we mean? The ways in which money is made, transacted, transferred and moved between accounts and countries have changed markedly. The international use of money for all kinds of legitimate and illegitimate purposes has expanded. These demand a management framework that can be anticipatory, proactive and flexible. Quite frankly, it has been found that efforts to achieve these characteristics in the context of public service rules have not borne much fruit.

Deleted: , proactive

In 1972 the total budget of Trinidad and Tobago was less than 600 million dollars. In 2001 it was less than 13 billion dollars. This year it is approaching 50 billion. We are really talking about a change in reality.

A number of critical positions in both Divisions remain unfilled, not because they are unnecessary, but because the public service system does not allow for alacrity.

Accordingly,

1. The TTRA is being established to provide public goods for the people of Trinidad and Tobago.
2. TTRA is being established to provide a superior set of services to the people of Trinidad and Tobago through the transparent administration of the tax laws of the country.
3. The TTRA should be operated based on principles of equity, integrity, probity and transparency.
4. The effective and efficient operation of the TTRA will ensure that the Government and the people of Trinidad and Tobago will have available more resources to provide superior services to the country.
5. The TTRA is obligated to serve all the people of Trinidad and Tobago without favour.

This will be accomplished by:

- a. Ensuring compliance with the tax laws of Trinidad and Tobago to minimize leakage
- b. Ensuring the transparent and equitable enforcement of the tax laws of Trinidad and Tobago
- c. Contributing to the control and security of the country's borders

- d. Improving constituent services
- e. Maximising effectiveness and efficiency of the institution through the harvest of its human capital and the leveraging of technologies
- f. Internalising high professional values, ethics and integrity in the core of the organisation.

Application of the Model - Mandate

If you listen to some of the comments concerning the TTRA, you would believe that the institution would be a supra-governmental organisation with powers that in some cases actually outstrip the Parliament. In reality, the TTRA is a clearly focused institution with narrowly defined responsibilities. Under the legislation the TTRA will have three functions:

Deleted: TTRA will

- The collection of taxes under the revenue laws
- The administration of the revenue laws, that is to say with respect to the collection of revenue.
- The enforcement of the revenue laws, with respect to the collection of revenue.

Deleted: , with

It is important to appreciate that there is no policy function identified. Indeed, one of the discussions that take place internationally in assessing the revenue authorities is the intersection of the administration of collection and the policy issues related to tax policy.

Most seem to agree that Revenue Authorities need to keep the focus on the former and leave the latter to policy makers in Ministries of Finance. We should note, however, that in ensuring the effectiveness of collection management it will be important for the TTRA to provide advice on issues related to the risk to collection.

Application of the Model – Legislative Framework (Functions of the Board)

In the legislation, the functions of the Board have also been clearly defined and are limited to:

- Approving management policies in relation to:
 - Finances, including procurement
 - Human Resources, including recruitment, remuneration, promotion, training and development, performance assessment, conditions of work, discipline, termination of employment and superannuation benefits
- Approving:
 - Service standards and performance targets;
 - Code of conduct for the employees
 - The strategic plan, budget and annual report
 - Establishing the mandate for collective bargaining and approving collective agreements
- Ensuring
 - Probity in using and allocating resources, that is to say in

respect of the allocation provided by Government for the operations of the TTRA, not, and I repeat, not in the management of revenue collected.

- The use of modern corporate governance procedures and practice.
- Overseeing the internal audit of the Authority.

Application of the Model - Legislative Framework (Limitations on the Powers of the Board)

It is important to note what the Board of the TTRA cannot do.

The Board of the TTRA cannot provide specific directions to the Chief Executive Officer or any employee of the Authority with respect to the functions of the Authority. That is to say, the Chairman of the Board cannot phone up the Chief Executive Officer or any other employee and tell him or her to pull the tax records of a neighbour and take any particular action.

May I therefore reinforce that the Board, or any member of the Board, is prevented from having access to any information concerning any taxpayer, individual, or company which has been obtained by the Authority during the course of its functions.

The Board, or any member of the Board, will also not have access to any documents or other information concerning legal action brought by or

brought against the Authority.

Institution Architecture – Transparency

One of the main factors informing the Government’s decision to establish an integrated revenue authority is the need to separately address the need for transparency, oversight and compliance. Neither the IRD nor the CED has a dedicated Internal Affairs Division that would address investigation of fraudulent practices in the respective divisions. TTRAMCoL has proposed the establishment of an Internal Affairs Unit in the TTRA.

Additionally, in the approved structure for the proposed TTRA the internal audit function has been expanded to give further organisational support to the drive for greater transparency.

Deleted: the proposed

It is important to note that while this unit will have an administrative reporting line to the Chief Executive Officer, it will also have a direct report line to the Board of Management of the TTRA as a means of ensuring its independence.

To further improve transparency, we have addressed the need to separate the functions of tax processing and compliance in domestic tax. In the proposed structure, there is a clear line of demarcation.

The other major initiative is strengthening of the investigative capacity for both tax fraud and criminal fraud.

Stakeholder Relations - Customer Interface

One of the primary issues identified in the decision to establish the TTRA is the level of service that is delivered to the client. As we all know, paying taxes is not normally embraced and therefore there is a natural inclination for the taxpayer to be very critical of the interface with the agency. TTRA proposes to develop a superior customer experience that would take away at least some of the edge on paying taxes.

It is recommended that an effective approach is an organisation that recognises that taxpayers in different populations or groupings usually have different issues/problems in complying with the tax laws, and can have significantly different opportunities and reasons for not doing so. This recognises the need for segmenting the market into strategically important sectors or segments, with an emphasis on “client focus”, that

is, a focus on taxpayer needs rather than seeking to have taxpayers adapt to the revenue authority's needs. The advantages of such a system are seen in greater client satisfaction, increased compliance.

We are in the process of defining what a superior customer experience should be for clients of the TTRA. What the customers of the TTRA can expect of the organisation will be detailed in the Customer Experience Charter.

On this issue of customer experience, I want to highlight taxpayer rights and obligations. I am sure that many taxpayers feel disempowered when dealing with the tax administration officials. International best practice has demonstrated that when taxpayers have a clear sense of their rights and an appreciation that these rights are respected by the revenue administration agency, voluntary compliance increases.

A basic charter of taxpayer rights will include:

- The right to be informed, assisted and heard
- The right of appeal
- The right to pay no more than the correct amount of tax
- The right to certainty
- The right to privacy
- The right to confidentiality and secrecy.

Naturally, the charter of taxpayer rights will include an outline of taxpayer obligations including:

- The obligation to be honest
- The obligation to be co-operative
- The obligation to provide accurate information and documents on time
- The obligation to keep records
- The obligation to pay taxes on time.

Human Resource Issues

Let us address now human resource issues. Together with what is erroneously seen as the powers of the TTRA, the human resource issues have been the lightning rod for opposition to the TTRA.

Employee Experience

The 2002 Committee identified that one of the fundamental shortcomings of the current institutional framework is that a number of human resources issues are not effectively addressed. The TTRA proposes to provide a superior employee experience, which recognises each employee, not only as the primary source of the value proposition for the TTRA, but also recognises the employee as a unique individual having an inherent value in and of herself.

To facilitate the delivery of the Customer Experience, we will define the

Employee Experience that will detail what the employees of the TTRA can expect of the organisation and also let them know what the organisation expects of them.

The basic features of the employee experience would include:

- Structured employee orientation to the philosophy, values, vision, mission and expectations of the TTRA
- Providing a good work environment with clear values and goals
- Investing in human capital development and continuous improvement
- Ensuring fair treatment and equitable pay
- Demanding results while caring about people
- Having a clear performance management system that gives frequent, direct and honest feedback about performance and opportunities
- Providing clear opportunities for professional development and career mapping employees.

Organisation Design - Human Capital Management

In the current framework, the Inland Revenue Division and the Customs and Excise Division are part of the Ministry of Finance and are governed by the rules and regulations of the central public service. In both cases, there is no real robust strategic human capital management function residing in the respective departments that are able to provide

Deleted: [Slide 18]

proactive strategic direction. For the most part, only routine personnel administration issues are dealt with in the divisions. As a consequence, there are deficiencies in processes and results of:

- Recruitment and selection
- Career planning
- Promotion and advancement
- Learning, growth and development
- Human capital formation
- Performance Management
- Rewards and Compensation

The TTRA will be responsible for understanding and anticipating its human capital needs and ensuring that they have been identified and addressed in order to support the Authority's strategic goals.

Staffing

Government has taken a policy decision that the staff at the existing revenue collection agencies would be offered separation packages and offered opportunities to apply, in an open and transparent process, for engagement by the TTRA on terms and conditions that I expect to be substantially enhanced when compared to their present terms and conditions.

We understand the discomfort that such uncertainty can engender and we appreciate the duty of care that we have to make this transition as non-stressful as possible, but we also recognise that it cannot be stress-free.

We will seek to be open with workers and their representatives with a view to addressing their concerns. For what it is worth, we give our commitment to the workers at the Customs and Excise Division and the Inland Revenue Division, that the TTRA values the immense human and social capital that has been formed over the years and that we would do nothing to jeopardize these assets.

I would like to face squarely the impact that the transition is having on the employees of the Inland Revenue Division and the Customs and Excise Division. Before I do that, however, I want to make an observation. It is inevitable that the vast majority of positions in the TTRA will be filled by workers from the Inland Revenue Division and the Customs and Excise Division. The TTRA will not be able to go on the street corner and pick up qualified and experienced Customs and Excise professionals and qualified and experienced tax professionals. From this perspective it is imperative that we protect the value of the employees of IRD and Customs.

From the immediate and personal interest of a worker it may be seen

that it would be ideal to transfer over to TTRA.

Sometimes, though, we have to pull back and make a dispassionate assessment of what is in the best interest of the institution and the country at large and sometimes the interest of the individual needs to be subsumed under the interest of the institution.

Deleted: Slide 20

That notwithstanding, what is actually at stake? Staff of the Inland Revenue Division and Customs and Excise Division will be offered an enhanced separation package. But that is not the only option. Up until the TTRA is established and the positions in IRD and CED are abolished, staff are free to apply for transfers into the general public service. I understand that a number public servants has done so and their transfers are being processed.

But let us look at the actual number of persons who will be affected. The approved establishment for the two divisions is a total of 1865 positions, not 2200 as has been bandied about. Of these positions 1386 have been filled. Additionally there are 224 contract positions (you should note that many of these contract positions are filled by public servants who have opted for contracts because of the limitations of the general public service). There are also 72 temporary workers and 73 daily paid workers, making for a grand total of 1755 warm bodies in

both divisions. The proposed organisation structure provides for just about 1650 positions.

I do not expect that everyone would want to come over to the TTRA. Some people might be close to retirement and might just want to take the windfall and pursue other activities.

I also do not think that anyone of us in this room would want to put our head on a block and assert that every one of those 1755 current employees deserve to continue working.

I have sufficient anecdotal evidence of hard working customs and domestic tax officers who are distressed and grieved by what they are forced to see and live with.

So I would like us not to overstate the potential impact of the transition on the number of jobs.

How We Will Recruit

I want to touch on the recruitment process. There has been a lot of speculation about picking favourites. Nobody has a guaranteed job in

the TTRA. I would not fool you, I have had many resumes from existing staff and others find their way in my mail box at the TTRAMCOL Office, at my place of work and even at my home. Those are not my business. We are developing a transparent recruitment process.

Here is a summary how we will recruit:

1. We will engage in a process of pre-screening. By that I mean, we will invite employees of Customs and Excise and Inland Revenue to indicate their interest in employment with TTRA. That is before we go out to advertise. We propose to invite the recognised majority unions (the PSA in respect of the monthly paid staff and the National Union of Government and Federated Workers, in respect of the daily rated workers) to be part of this pre-screening process, including developing criteria and methods.
2. Every single job in the TTRA will be advertised.
3. We will divide the organisation structure into manageable cohorts based on related job functions.
4. We will engage the Government Human Resource Services [GHRSS] Company Limited to coordinate the exercise.

5. GHRS will engage recruitment companies and would assign them responsibility for specific cohorts.
6. Applicants will be assessed based on a combination of qualifications and experience.
7. Applicants will also be asked to take attitude and aptitude tests which will be independently conducted.
8. As positions become more senior, applicants will be subjected to investigations, similar to those that take place for persons seeking entrance into the Police Service and the Defence Force.
9. We will be open to involving the recognised majority unions of the workers in Customs and Excise Division and the Inland Revenue Division to recommend suitably qualified persons to sit on selection and interview panels.

Comment [TP1]: Michelle, didn't the Minister state that we cannot involve the Unions at this level of the recruitment process? If yes, we should delete this item.

Critical in all of this is engagement by the recognised majority unions. We remain open to dialogue in this regard.

Union Representation

I would like to close my formal presentation by turning briefly to the question of union representation. It has been suggested that there

should be an automatic recognition of the Public Services Association of Trinidad and Tobago as the exclusive bargaining agent for employees of the TTRA. The decision not to place such a right into the legislation establishing the TTRA has been heavily criticized by members of the labour movement and others.

I want to suggest that there may be some misunderstanding of the law and other obligations in this regard.

First, however, let me make clear that the TTRAMCoL sees no problem with a recognised majority union in the TTRA. We actually believe that this will be a good thing since management labour cooperation and partnership has been proved to promote operational efficiencies, organisational effectiveness and overall productivity.

I am not sure, however, that a case can be made for a right of automatic recognition, far less that it should be put in legislation.

Whatever the basis of recognition of the Public Service Association in the Public Service at this point (and I suggest that you look at Part V of the Civil Service Act, Chapter 23:01 of the Laws of Trinidad and Tobago), I believe that it is prudent to understand how recognition of a union in the TTRA should take place.

Trinidad and Tobago has enshrined in its constitution the right of Freedom of Association. Moreover, Trinidad and Tobago acceded to and ratified Convention 87 of the International Labour Organization on Freedom of Association and the Protection of the Right to Organise.

Within this context, we would recommend that TTRA should facilitate the process of workers expressing their right to select representation of their choice. In this regard, we understand the requirement of the Recognition, Registration and Certification Board that there is a stipulated period for which employees must pay dues in order to start the recognition process.

We are also aware that some employers who may prefer not to have a recognised majority union may decline to make direct deductions from workers pay for this purpose. We recognise that this creates an inconvenience and hardship since workers are then forced to physically make direct payment. We will propose that from Day One, the TTRA would make direct payments as requested by any employee to a union of his or her choice. This would greatly facilitate the recognition process while protecting the employees' rights of freedom of association.