



End of Another Year

2014 has come and gone and what a busy year it had been for those of us at IRD, particularly the last quarter. We were visited by World Bank officials and in turn also visited them as part of the Government's negotiation team that met with World Bank officials in Sydney in late November.

World Bank Visit

Management met with the official from the World Bank's Sydney office Ms. Lucy Pan.

The IRD was able to provide her with updates of the progress on tax reform particularly the audit of Public Enterprise entities which is nearing completion.

Workshops & Conferences

IMF/PFTAC Training/ Workshops

Delivering Effective Taxpayer Services

The Acting Director attended a workshop in Fiji organized by IMF/PFTAC on delivering effective taxpayer services.

Introduction to International Tax Issues

A second workshop on International Taxation was also organised by IMF/PFTAC. Issues addressed during the workshop included:

- Transfer Pricing
- Base Erosion Profit Shifting (BEPS)
- Multi National Enterprises (MNE)

In this Issue:

In this issue of Contra fiscum we provide you with updates on:

- Audit Programmes
- Audit Results
- Revenue Collection Updates
- New Projects
- Workshops, Seminars and Conferences

We invite you to enjoy this fourth issue of Contra fiscum.

Annual Group Evaluation (AEG) Meeting

The Annual Evaluation Group (AEG) between the Ministry of Finance, DFAT, AVI/PACTAM and the deployee was held on Friday 31/10/14 in Tuvalu.

DFAT was represented by Ms Etita Morikao the country officer for Tuvalu based in Suva.

AVI was represented by Ms Anne Ray and Dr. Philippa Smales.

Negotiating Renewable Energy Projects

Tuvalu is determined to achieve 100 per cent renewable energy by 2020.

The Technical Adviser was invited by the Minister for Finance to be part of the negotiating team that successfully negotiated with the World Bank for a loan totaling US \$7million. The money will pay for the deployment of solar and wind parks, together with systems to provide power grid stability and excess energy storage.

Prepay meters will be installed for customers of Tuvalu Energy Corporation (TEC) while smart meters will be provided for large consumers.

Of particular interest to the IRD will be the collection of no resident withholding taxes from overseas contractors involved in these projects.



Audit Programme in 2014

We have been over ambitious in our planned audit cases for each tax type, particularly for PAYE. The result from the one completed case was very satisfactory. We will need to improve on number of completed cases in 2015.

Net Profit Tax audits take some time to complete and our competency is still not at a level where we can see a quick turn around in the audit of NPT.

We should be able to complete more TCT audits once we move into the audit of the private sector in 2015.

We can also increase our audit coverage of Room Tax in 2015.

The survey conducted early in the year on Presumptive Tax revealed a very high level of non compliance for this tax type. Quite a large number were operating businesses but not registered with the IRD. These have now been issued Tax Identification Numbers (TIN) and some are already paying Presumptive Tax on a quarterly basis.

2014 Tax Audit Programme

Tax Type	Planned Cases	Work In Progress	Completed Audit	Audit Result	Penalty Charged	Audit & Penalty
Income Tax (PAYE)	6	2	1	100,484.49		100,484.49
Net Profit Tax	3	1	1	-		
Consumption Tax	8	3	1	302,164.62		302,164.62
Presumptive Tax	20	13	16	9,640.00	720.00	10,360.00
Room Tax	3	1	1	351.16		351.16
Total Results	40	18	20	412,640.27	720.00	413,360.27

Annual Review of Staff

The IRD management team has put in place a six monthly review system for staff. The review format is designed to match FORM P6 of the Annual Appraisal Report under the GAO (GAO 3.9.1). The review will be carried out on a six monthly basis. The report will be consolidated at the end of each year for the staff annual appraisal report.



2014 Revenue Collections as at 31 December.

Tax Type	Annual Budget	Budget Jan-Dec	Actual Jan-Dec	Audit Result	Actual & Audit	Variance
Income Tax	1,800,000	1,800,000.00	1,970,810.00	100,484.49	2,071,294.49	271,294.49
Net Profit Tax	2,700,000	2,700,000.00	891,650.74	-	891,650.74	(1,808,349.26)
Non-resident Withholding Tax			22,828.86	-	22,828.86	22,828.86
Consumption Tax	300,000	300,000.00	184,207.90	302,164.62	486,372.52	186,372.52
Presumptive	36,000	36,000.00	19,080.00	9,640.00	28,720.00	(7,280.00)
Room Tax	18,000	18,000.00	13,586.53	351.16	13,937.69	(4,062.31)
Penalties	60,000	60,000.00		720.00	720.00	(59,280.00)
Total Revenue	4,914,000	4,914,000.00	3,102,164.03	413,360.27	3,515,524.30	1,398,475.70

Revenue Performance Report 2012—2014

The key focus for the Department has been to improve revenue collection through tax audits and compliance with the tax legislations.

Tax Collection and Compliance

	Budget	Actual	Variance	Audit	Actual & Audit
2012	3,767,480.00	3,192,897.00	-574,583.00	Nil	3,192,897.00
2013	3,746,780.00	4,369,215.00	1,590,422.00	967,987.00	5,337,202.00
2014	4,914,000.00	3,102,164.00	-1,398,476.00	413,360.00	3,515,524.00

There have been significant improvements in revenue performance since 2012. Most notably the compliance improvement programme through audits directly raised \$967,987.00 in 2013 and \$413,360.00 in 2014. These have been raised from finalised audit cases.

A payment for company tax of \$2,083,386.00 for 2014 was received late and will be reflected in 2015. This amount would have increased revenue collection for 2014 to \$5,598,910.00 and thus surpassing the 2013 figure by \$261,708.00.