

Case Study Tour
Large Taxpayer Office Jamaica
Report

Nerissa Gomes
Inland Revenue Department Antigua

Outline of tour

Stage 1 - Understanding Tax Administration Jamaica

Day 1 – Introduction of delegates, overview of the visit, Tax Administration Jamaica, Large Taxpayer Office, RAiS and Programmes unit.

Main takeaways from the days preceding

- **RAiS** – the web based tax system utilized was built with the input of the department although not perfect it was able to assist greatly in many areas of the organization and the system is used to share information with other departments.
- **The programmes unit** – able to assist with developing taxpayer information, audit leads, cross compliance, discoveries, ratio analysis, planning, gathering data and performing risk analysis.
- **Online filing** - a few of the larger taxpayers in Antigua has inquired about the filing online. This facility has assisted in improving compliance in the LTO.
- **School tax education programme**- helps to change the mindset about tax (explaining that taxes assist with road, healthcare and school) and create greater awareness in society.
- **Engage ministries and ministers** – to foster greater working relationship and ensure support of the Large taxpayer office.

Stage 2 - Understanding the operations of the Large Taxpayer Unit

Day 2 – development of the large taxpayer Unit, tour of Revenue Service Center(RSC) and Large Taxpayer Office, discussions with head of various units (audit, refunds, client services). LTO audit.

Main takeaways from the days preceding

- **Government by in** –
 - the development of the Large Taxpayer office (LTO) required a lot of investment and the department must be able to show how the development of this unit could improve revenue collection.
 - The largest taxpayers in Jamaica just like in other jurisdictions have direct links to government minister and official they had to foster the relations with the government to adopt a hands off approach and allow the department to operate as it should with little political involvement. Although Government involvement has not been eliminated and possibly would never be there is an understanding of the need to improve tax collections and for the most part adopted the hands-off approach.

- **Staff involvement and by in-** the creation of the unit required hard work and dedication, staff had to understand that the creation of the unit made sense and it was not just something that that would run for a few years and then stop. There was no other LTO in the region thus a lot of research, planning and training had to be conducted. Staff involvement was critical. It was recognized that if the staff was not on board the unit would not perform well. Staff was involved in research, assisted with the development of the unit and helped to create the mission statement for the various units.
- **Intelligence gathering report-** as a part of the review stage auditors prepare a report on the business called an intelligence gathering report which contains pertinent information about the directors, branches, sectors, business main activities, ratio analysis and any other information (bank, attorney) This information is gathered from files and online. At first staff were not thrilled about preparing this report and often produced just one page but as time went by they understood the importance and have become very competitive. Reports now have as many as 12 pages.
- **Developing risk level** and assessing what issues to delve into because they provided the greater risk.
- **Data mining**
- **Objections process** – there is a total separation from the audit department. Although the objections unit is separate it is comprised of auditors and fosters a close link with the legal team. Procedures and time lines were developed to ensure that objection cases are handled in a timely and effective manner.

Day 3- Gaining insight of the transfer pricing, exercise, collections, arrears Management and Tax account procedures functional units.

Main takeaways from the days preceding

- **Tax account procedures-** The purpose of this unit is to verify that all the data in the system is accurate and advise of debt or credits where applicable. The large taxpayers were happy for this unit, in some instances accounts that were in dispute for years were able to be settled.
- **Collection-** ensure that the legal framework is established. This unit does not always need to be aggressive in its contact with taxpayers, adapt an understanding approach first and try to work with the taxpayer before bring down the harsher penalties. Make examples of high profile businesses/ individual to help improve compliance. Procedures

must be streamlined (set timelines for when notices should be sent). Ensure that all contact is properly documented.

- **Transfer pricing**- the development and improvement of transfer pricing legislation is very important as now many businesses have units and departments in various jurisdictions and they are using these operations to avoid paying taxes or pay the least amount of tax where possible. It was interesting to note that a study stated that 70% of world trade is between related companies. Businesses are engaging in aggressive tax planning so tax departments must find ways to combat these issues.

Day 4- Gaining insight into the Customer service and Exchange of information units

Main takeaways from the days preceding

- **Role of the Customer Service unit**- This unit helps to provide the taxpayer with a direct personalised link to the department. Every large taxpayer has a dedicated Client Relations Manager. Customer relations managers provide clients (the term client is used rather than taxpayer because it helps to put a smoother touch on the tax department we are not only concerned with taking your money) with updates (e.g. new legislation, new procedures), send filing reminders, assist with resolving complaints, answer taxpayer queries, and facilitate requests. This unit has helped to smooth the tax man with the big stick mentality. It was interesting to note that because of this personalized element some businesses that do not fall into the large category were asking to be a part of the unit and businesses who fell were a part of the unit but subsequently fell below the threshold were requesting to stay.
- **Exchange of information** – It was interesting to note that the synergies developed between Islands were being utilized. Jamaica was able to assist St. Vincent recently with providing valuable information in solving an audit issue.

Day 5

Closing – overview of the week activities and discussions on if the tour was beneficial was conducted. Delegates were able to provide feedback on the pros and cons.

Major pros

- Knowledgeable employees within LTO
- The tax system RAiS
- Government support
- Programmes unit

The Large Taxpayer Office in Jamaica was established because it was identified that their largest taxpayers which is about 20% of their total taxpayer pool contribute about 80% of the tax revenue. It was therefore considered prudent to focus on these taxpayers with the understanding that if these persons remain compliant they will be sustainable tax revenue.

The establishment of a large taxpayer unit could yield considerable income in any territory in which it is established. Jamaica has been a testament to this by surpassing the budgeted revenue for several years and improving the compliance rate from under 50% to over 90%.

Before a unit like this is established in any territory a few things must be considered.

Is the large taxpayer unit necessary?

- Are there sufficient taxpayers to focus on?
- Are the taxpayers in this bracket compliant?
- What is the contribution of these taxpayers to the total income?

What is the expected outcome of introducing this unit?

- Increased revenue
- Increased compliance

Is it sustainable?

Will it have the required government/parliament backing?

How does it fit in to the overall budgetary goal of the country?

What is the cost of establishing such a unit?

Will the benefit of establishing such a unit outweigh the cost?

What will be required to implement it?

Does the department have the dedicated personnel required?

Should a full large taxpayer unit be developed or should focus only be on specific areas (e.g. audit collection)

Is legislation sufficient?

Once these questions have been answered and it is decided that the unit is required the next stage will be to finalise the large taxpayer list, develop the organization structure and select the appropriate employees. Selection of the appropriate employees is also important. The employees

selected must be willing, knowledgeable, trustworthy and strong but not overly aggressive. Training needs must be identified and alliances must be formed to assist with sharing knowledge.

Targets must be set to ensure everyone knows what goals they are working to achieve. In addition, standard operation procedures must be developed to ensure everyone understands the processes required to complete a task and proper protocol.

An important step in the process is advising the public and working to obtain the buy-in of the businesses that will be placed in this unit. It will be a tough process as many understand that it will mean greater scrutiny of their business which they may not necessarily want but if the softer sides are sold (personal contact persons, availability of information, ease of filing) then they may become more comfortable with the situation.

Recommendation

The Large Taxpayer office/unit can be a great benefit to the Inland Revenue Department Antigua however it will require some resources being put into training, hiring additional personnel, creating additional units, improving the IT system and restructuring the pay scale.

It is suggested that should the Inland Revenue Department (Antigua) decide to streamline its taxpayer segments and create a large taxpayer office/unit that some of the techniques utilised in by Jamaica be adapted e.g allow the employees to take onus so they would take pride in this unit and put their best foot forward (creating a mission statement for each unit), conduct research and provide training.

This unit cannot be up and running overnight I would recommend that it be started in a year. The year will be used to prepare the department for the transition, during this time efforts should be spent:

- Clean taxpayer register
- Finalizing the top taxpayer list
- Conducting research and forming relations with other territories who have an LTO
- Designing the organisational structure for this department and selecting the appropriate personnel for the unit (IT, Taxpayer service, audit, collections, tax account, audit, collections, transfer pricing)
- Training staff
- advising the public of the large taxpayer unit
- establishing standard operational procedures
- cleaning large taxpayer files- ensuring that all debt and credits showing are legitimate
- setting targets (increasing compliance by e.g 10%) and timelines
- Forming closer links with other departments and set procedures for transfer of information(treasury for offset/setoff , MOF,MB,SS,EL)
- Having interactive developmental synergies with the persons selected, employer officers to take onus (a good strategy observed was to have the employees create mission statements for the various section
- Making necessary amendment to the tax legislation
- Putting together letter and other documentation
- compiling a data base of government debt with large taxpayer to facilitate knowledge and plans to offset
- facilitating online filing

Other practices that could be adopted

Another good initiative observed was the school education program. This could assist in changing the mentalities of society where tax and the Inland Revenue Department are concerned. It could also create interest in the department and potentially attract new employees.

Develop a programs unit. This unit will be responsible for pooling data, streamlining leads, gathering third party information, developing industry standards, assessing risk, assisting in audit selection, and developing taxpayer education tools (brochure, community seminars).

Consider reintroducing the tax compliance certificate as this assists in increasing compliance (try to obtain government buy in).

Establish an objections unit which will comprise of auditor and have lawyers to provide guidance this assist in separation of duties for auditors.

Modernised the tax based system - In the long run consider changing SIGTAS - the introduction of the RAIS/gentax in Jamaica has greatly assisted with the effective and efficient operation of the tax depart. They were even able to model it to be FATCA compliant.

A new or modernised tax based system can assist with :

- better managing work cases/loads
- risk management and audit case selection
- gathering data for decision making
- ascertaining FAQ so the taxpayer can be better be serviced.
- assisting with monitoring thus able to better assess employees
- providing more accurate reports
- generating letters
- automatic late notices

Develop an audit classification sheets for selection of expenses to audited.

Devise a way to enter income statement in system (current fix have data entry enter in excel) to aid with analysis.

Develop standard operational procedures for all areas and where procedure are in place ensure that they are being adhered to.

Using the TADAT analysis to model departmental policies

Thank you

Thank you Mr. Miller and CARTAC for allowing Antigua to be a part of this the large taxpayer office study tour the knowledge gain would greatly assist in our endeavor to creating a Large Taxpayer Unit in Antigua.

Appreciation is extended to Tax Administration Jamaica for accommodating the delegates and providing an overview of tax admiration in Jamaica and specifically the large taxpayer office.

A special thank you to Mrs. Mills and her knowledgeable team at the Large Taxpayer office for being so open to sharing their knowledge with us. The insight gained was immeasurable. The experience surpassed expectation. The knowledge imparted will be utilized in the departments venture to developing the large taxpayer unit.