

MINISTRY OF REVENUE AND CUSTOMS ANNUAL REPORT 2015/2016

To collect revenue efficiently and effectively for the Government of Tonga to fund the services for the people of Tonga. In addition, the Ministry is also responsible for border security and trade facilitation.

*“Revenue from
the Community to
the Community”*

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FOREWORD

From the Honourable Minister of Revenue and Customs



I am pleased to present the Annual Report of the Ministry of Revenue and Customs for the Financial Year 2015/2016.

This year was yet another eventful and challenging year. Although the Ministry faced many obstacles, however it was in full swing to deliver its primary function of collecting revenue efficiently and effectively and also boosting border security and facilitation of legal trade. Through dedication and hard work, the Ministry managed to collect a total over \$176 million pa'anga which exceeded the estimated target of \$162 million and recorded a surplus of \$14.1 million pa'anga during the Financial Year 2015/2016.

Central to all its achievements are the daily roles successfully played by all staff members in the Ministry and their high level of dedication and commitment. This contributes to achieving the National Impact which links to Tonga's Strategic Development Framework or TSDF (2015-2025) ***"A more progressive Tonga supporting a higher quality of life for all"***.

The Ministry was able to achieve a great number of milestones that the staff can be proud of. Some of these achievements are highlighted later on in the pages of this report, on the Output VS Performance summary table. However the key highlights during the FY was launching of the Revenue Management System Upgrade (RMS) which enables the online service of lodgement and payment of taxes for the clients. The purposes of the RMS upgrade were to improve the Ministry's interaction with its customers and taxpayers and setting the basis for a modern and electronically enabled Tax Administration.

During the FY, the staff at the Customs division branch at Lupepau'u airport in Vava'u received special training over the usage of the X RAY scanner at the airport since the commencement of the direct flight route from Nadi International Airport to Vava'u. This aims to secure our borders at all times. There's also a plan to construct a building to house the office of the Customs Division at Queen Salote Wharf. With this plan in place, there's hope to purchase the United Nations - Automated System for Customs Data or known as

ASYCUDA which is a computerized system designed by the United Nations to administer a country's customs administration.

In the future, the Ministry plans to follow up the footsteps of Fiji's initiative which is the establishing of its own similar in nature to the Gold Card Services system used in Fiji, which is a priority and privileged services awarded to companies that have a good track record for Tax and Customs compliance. The Ministry believes if the system is set up in Tonga, it will help with promoting proactive services to these compliant companies who regularly need Tax Clearance for offshore remittances. The Ministry of Revenue and Customs wish to recognize this exceptional class of Tax customers.

During the Financial Year, there's a plan for major reform within the Ministry involving the restructuring and reshuffling of staff members, and there's hope to be effective by the next FY 2016/2017. The re-structuring of the Ministry is to be in line and build on the momentum of pushing for staff capacity building and development.

The Ministry's many achievements during the FY would not have been possible if not for the assistance of many stakeholders, donor partners and especially the customers of the Ministry, I would like to acknowledge and express my sincere gratitude for their assistance. Last but not the least, I wish to thank and congratulate the CEO Kulufeinga 'Anisi Bloomfield, the Deputy CEOs, Mr Kelemete Vahe, Mr Feleti Fa'otusia and Mrs Makitalena Fifita and the management team and staff of the Ministry of Revenue and Customs, whose vigilant performance and steadfast commitment has produced such great results.

Respectfully,

.....

Hon. Tevita Lavemaau

Minister for Revenue and Customs

Vision

“To work cooperatively for a safer and prosperous Tonga”

Mission

To contribute to Tonga’s economy and securing our borders through effective and efficient collection of revenue, safeguarding the borders and facilitation of legal trade.

Values

Leadership
Accountability
Integrity
Transparency
Honesty
Respect
Commitment
Responsive

1. INTRODUCTION

During the Financial Year 2015/2016, the Ministry of Revenue and Customs has continued to contribute to achieve the Ministry's five organisational outcomes as follows;

- Improved macroeconomic management and stability with deeper financial markets
- Closer public/private partnership for economic growth
- Strengthened business enabling environment
- Better access to and use of overseas trade and employment and foreign investment
- Improved political and defence engagement within the Pacific and also the rest of the world

These outcomes are linked directly to the government's 10 years framework known as Tonga's Strategic Development Framework – TSDF 2015-2025.

In order to achieve these outcomes, it is mandatory for the Ministry to carry out its core functions which involves the collection of revenue efficiently and effectively on behalf of the Tongan Government to fund the services for the people of the Kingdom. The Ministry is also responsible for border security and the facilitation of legal trade.

Supporting all our work and our legislative obligations to contribute to upholding the integrity of the laws we administer and maintain the confidentiality of the information that we hold or access to. The following legislations dictate the operations of the Ministry and are administered and executed at both the Revenue and Customs Divisions.

Legislations administered by Revenue Division:

- Revenue Administration Act 2000
- Revenue Services Administration Act 2002,
- Revenue Services Administration Regulations 2003
- Consumption Tax Act 2003, Consumption Tax Regulations 2005
- Customs & Excise Management Act 2007, Customs & Excise Regulations 2008
- Customs Act 2007, Customs Regulations 2008
- Excise Tax Act 2007, Excise Tax Regulations 2008
- Income Tax Act 2007, Income Tax Regulations 2008

Legislation administered by Customs Division:

- Customs Act 2007
- Customs Regulations 2008
- Customs Tariff Schedule (Harmonised series 2012)
- Excise Act 2007
- Excise Tax Regulations 2008
- Excise Tax Tariff Schedule
- Customs & Excise Management Act 2007
- Customs and Excise Management Regulations 2008

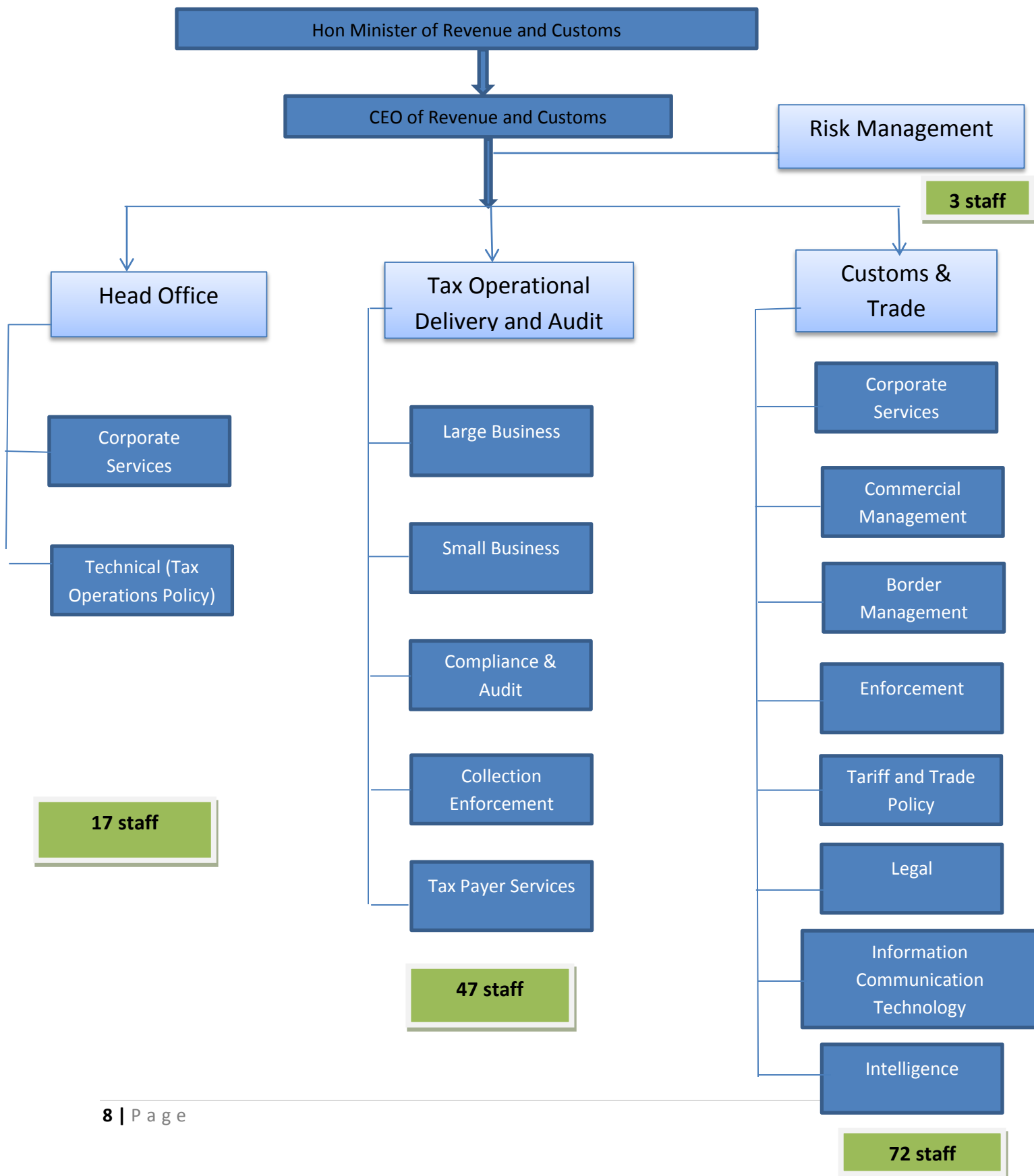
There are also other legislations enforced by the Customs Division:

- Consumer Protection Act 2009
- Food Act 2014
- Illicit Drugs Control Act 2003
- Immigration Act
- Money Laundering and Proceeds of Crimes Act 2000
- Sandalwood Regulations 2016
- Therapeutic Goods Act 2001
- Tobacco Control Act 2000

1.3 Ministry Staffing Summary

Post	At Post 1 st July 2015	At Post 30 th June 2016
Chief Executive Officer	1	1
Deputy Chief Executive Officers	5	3
Senior Assistant Deputy Chief Executive Officers	2	4
Assistant Senior Deputy Chief Executive Officers	3	3
Principal Revenue Officers	7	9
Assistant Principal Revenue Officers	1	1
Senior Revenue Officers	14	12
Revenue Officers Graduate	15	19
Revenue Officers	17	26
Revenue Officer Grade I	13	27
Revenue Officer Grade II	6	13
Revenue Officer Grade III	4	17
Transport Supervisor	0	1
Driver	4	5
Daily Paid Labourers	19	21
Consultants	2	0
Volunteers	0	3
TOTAL	113	165

2. MINISTRY'S ORGANISATIONAL STRUCTURE



3. MINISTRY'S HUMAN RESOURCE MANAGEMENT

3.1 Number of Divisional Staff

DIVISIONS	NUMBER OF STAFFS 2015/2016
HEAD OFFICE	
1. Corporate Services	15
2. Technical (Tax Operations and Policy)	2
	(17)
TAX OPERATION DELIVERY and AUDIT	
1. Large Business	13
2. Small Business	13
3. Compliance and Audit	14
4. Collection Enforcement	5
5. Tax Payer Services	2
	(47)
RISK MANAGEMENT UNIT (transition in 2 years)	3
CUSTOMS & TRADE	
1. Corporate Services	13
2. Commercial Management	29
3. Border Management	19
4. Enforcement	2
5. Tariff and Trade Policy	4
6. Legal	1
7. Information Communication	2
Technology	2
8. Intelligence	(72)
TOTAL	139

3.2 Number of Staff Recruited to the Ministry

RECRUITED July - December 2015	RECRUITED January - June 2016
1. Mrs Taufa Lolomana'ia	1. Ms Makeleta Vaitaki
2. Mr Lisala Fifita	2. Ms Kulaea Lavaki
3. Ms Eden Moala	3. Ms Mele'ana Fifita
4. Mr Maikolo Lolesio	4. Mrs Stella Tonga
5. Mrs 'Unaloto Langi	5. Ms Sela 'Ahio
6. Ms Motei Tapa	6. Ms Lavinia Lavemaau
7. Mr Siosiu Tu'ineau	7. Ms Meliame Kalapa
8. Ms Salome Fetuani	8. Ms 'Asinate Tu'ipulotu
9. Ms Vaima'a Iketau	9. Ms Shabunam Katoa
10. Mr Sioeli Tu'ivai	10. Mr Latu Tu'akihekolo Fifita
11. Ms Ane Fangalahi	11. Ms Sualupe Mala'efo'ou
12. Mr Uikelotu Kasimea	12. Mr Sunia Pale Folau
13. Mr Luke Manumu'a	13. Ms Katinia Lilo
14. Ms Lavinia Niupalau	14. Ms 'Apikale Vete
15. Ms Lisa Ann Filikitonga	15. Ms Losaline Mahe
	16. Mr 'Alifeleti Lynch
	17. Mr Pulusili Taufa

3.3 Number of Staff Exited from the Ministry

EXITED July - December 2015	EXITED January - June 2016
1. Mrs Seluvaia Pouono	1. Mrs Misipa Liutolo
2. Mrs Talafaiva Lotolua	2. Mrs Lepaola Vaea
3. Ms 'Akosita Tupou	

4. OUTPUT vs. PERFORMANCE

OUTPUTS	OBJECTIVES	ACHIEVEMENT	WAY FORWARD
<p>Effective placement of the right people in the right place at the right time within a well- managed organization.</p> <p>Also to provide better Corporate Planning, Financial Management, IT services and reporting</p>	<p>Improving and building of staff capacity and productivity</p> <p>Develop more comprehensive planning for the Ministry in order to push forward the development of the Ministry through Corporate Planning, Financial Management and the IT services provided.</p>	<p>Able to fill all vacant posts with capable candidate.</p> <p>Many staff members were able to attend trainings overseas.</p> <p>Produce Corporate Plan/ Annual Management Plan and Annual Reports in a timely manner.</p>	<p>To recruit more suitable senior staff to the Ministry.</p> <p>Need more expertise and skilful candidates for the technical posts.</p> <p>Ministry to provide more training opportunities for the staff.</p> <p>Closer cooperation with other heads of divisions for the production of the Corporate Plan, Annual Management Plan and Annual Reports.</p>
<p>Develop tax payer's confidence and trust and provide quality and timely advice trust and confidence.</p> <p>Also improve revenue collection processes</p>	<p>Improve and build on the confidence and trust of the Ministry's customers within the operations of the Ministry of Revenue in terms of collecting taxes.</p>	<p>Closer relationship formed with tax payers, as Ministry provides more training for the public leads to more tax payers have registered their tin number.</p> <p>Ministry was able to achieve its revenue target for the FY and also collect a surplus of \$15 million.</p>	<p>Move forward and provide more public awareness program through TV ads, radio, brochures and other means.</p> <p>Keep reviewing the Revenue Acts and regulations to fit certain situation in order to collect the Ministry's target.</p>

<p>Improve tax compliance, increase CT registrations and also reduce tax evasions and fraud</p> <p>Improve, encourage and strengthen compliance with revenue legislation and regulations upgrading external and internal processing systems</p>	<p>To improve revenue collection through enforced compliance with all revenue and customs rules and regulations.</p>	<p>The Ministry was able to achieve its targeted revenue collection and also exceeded its target collecting over \$162 million pa'anga. A surplus of close to \$15 million pa'anga was also recorded during this FY</p>	<p>To achieve the Ministry's target revenue collection of \$180 million pa'anga for the FY 2016/2017.</p>
<p>Provide varieties of educational and public awareness programs that are timely and professional handling of enquiries from customers</p> <p>Also carry out effective tax payer services</p>	<p>Improve active methods of public awareness programs through local media such as Radio and TV.</p> <p>Better prepare at all times to answer queries raised by the public or the customers over the Ministry's operations</p>	<p>Increase tin number registrations during FY</p> <p>Professional way of handling public queries</p> <p>Decorations of the reception area by putting up a TV, banner and drop box to increase customers/clients awareness.</p>	<p>To initiate effective methods of public awareness programs that involves all the customers through the use of media as a means of communication.</p> <p>Produce TV & Radio promos and programs to better inform the public on the Ministry's role mainly about tax.</p>

<p>To administer the revenue laws completely, accurately and in a timely manner in order to collect the maximum revenue on behalf of the Government</p> <p>Providing timely legal advice to the Minister and CEO responding to complex technical and legal issues raised by tax payers</p> <p>Also manage appeals, ruling, technical policy for all Customs duties, review of legislatives and provide legal support to the Operational Delivery Division</p>	<p>Drafting policy papers for legislative amendments to Customs Laws</p> <p>Draft legislative amendments as required and facilitate public awareness</p> <p>Provide legal advice to internal and external stakeholders requiring clarification of Customs Laws</p> <p>Review of Customs SOPs to enable implementation of PACER Plus requirements/ obligations</p> <p>Improved facilitation and assistance of the performance of revenue administration by providing timely and accurate legal advisory services.</p>	<p>1. Draft Customs Bills completed:</p> <ul style="list-style-type: none"> • <i>Customs Bill 2016</i> • <i>Customs Tariff Bill 2016</i> • <i>Draft Customs Regulations 2016</i> • <i>Draft Customs Tariff Regulations 2016</i> <p>2. Cabinet Submission for Customs Law reform completed</p> <p>3. Draft Cabinet Submission for Tariff Policy 2016/17</p> <p>4. Customs Duty (Amendment) Order 2016 & Excise Tax (Amendment) Order 2016 drafted and submitted for gazettal and implementation of Tariff Policy 2016/17</p> <p>5. Prepared Cabinet Submission for amendment to the passenger arrival and departure cards</p>	<p>Review of Customs Legislation against the Revised Kyoto Convention, Completion of review of Customs and Revenue legislation</p> <p>Customs will work to obtain Cabinet endorsement for Bills to be tabled in Parliamentary sittings in 2016</p> <p>Meet the deadlines for provision of advices at a timeframes requested</p> <p>Able to settle court cases and closed cases each FY</p>
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<p>Provide a regional platform to exchange information, experiences and practices for trade facilitation</p> <p>Trade Facilitation and Facilitation Agreement , International Liaison, Policy advise on trade issues and Training on Trade Issues</p> <p>Updating the Harmonised System, Participate on Trade Negotiations, Formulation of Rules of Origin Plan for established of Trade Unit</p>	<p>More improvement in the trade agreements processes which leads to facilitation of legal trade at all times.</p> <p>Also upgrade Tonga to formulation of higher level of International trade policies and rulings</p> <p>To enhance legal and professional handling of Trade matters</p>	<p>Established of Trade Unit which specifically responsible for Trade Facilitation and Training on Trade matters</p> <p>Facilitation of legitimate trade through provision of Trade Facilitation and Facilitation Agreement eg PACER+ and Policy advise on trade Issues</p>	<p>Able to facilitate international trade Agreement and participate in Trade Negotiation. Ensure of an up to date Harmonised System.</p> <p>Possibility for training of staff and customers on trade matters</p>
<p>Better border protection and services through effective processes</p> <p>Provision of Border protection in all areas of movement of people and goods using risk assessment and re-screening information</p>	<p>Improve and provide appropriate level of border security for the people</p> <p>Develop effective and efficient process to manage border protection for detection of Tonga from movement of illicit, restricted goods and undesirable travellers</p>	<p>Transfer of Immigration service from Ministry of Foreign Affairs to Customs & Trade Division and provide complete staffing of this new Unit</p> <p>Established of Immigration service at Vava'u airport to serve International flights at Vava'u</p>	<p>On-going capacity building of staff at each sections of Border Unit especially the new Immigration Section</p> <p>More improvement in the Border protection processes which leads to facilitation of legal trade and the movement of people, goods and services</p>

		<p>More improvement in the enforcement process which lead to more compliance of customers to legal trade and travelling as well as Customs regulations and policies</p>	<p>through Tonga's borders</p>
<p>Preparing for establishment of an Enforcement Unit</p> <p>Preparing Strategic Audit Planning</p> <p>Design Field Audit Planner for FY 2016/17</p> <p>Establish and practice WCO design guidelines for audited targeting</p>	<p>To developed and improved enforcement roles on Customs activities and process</p> <p>For better designed and enforcement activities, processes and systems</p> <p>To improve transaction based control on Desk Audit</p> <p>To establish good information sharing within Customs Units</p>	<p>Improve of productivity of human resource and management on PCA</p> <p>Maintain of effective PCA operation and enforcement role through capacity building and sharing information with other Customs Units</p>	<p>On-going capacity building of staffs on international level of enforcement process</p> <p>Able to establish Pre-audit research techniques to assist in Audit Planning</p> <p>Improve targeting techniques of importers for field audit, research techniques for better audit results and increase compliance level</p>

<p>IT and CMS Unit change to ICT Unit</p> <p>Planning for adopting a new Customs computer system the Asycuda World to replace the current computer system – CMS</p> <p>Better IT platforms and software with Customs Department, and a more reliable ICT systems</p> <p>Revised of Arrival and Departure cards for Immigration processes and services</p>	<p>To upgrade and update the Customs computer system to the best and international IT level for processing of Customs ESADs and detecting of non-compliance issues</p>	<p>Approval of staff proposal for this Unit</p> <p>Approval for adoption of Azycuda World for Customs computer system</p> <p>Set up Workstation at Vava'u Airport and facilitate of revised arrival and departure cards.</p> <p>Equipped the Immigration Section at Fua'a motu and Vava'u with new computers</p> <p>Upgrade website content for the Customs Division and complete adjust and upgrade of CMS</p> <p>Provide Public Awareness for Airport</p>	<p>On-going preparation of export CMS data to the new system Asycuda World</p> <p>Provide capacity building for all staff in need on training on CMS process</p> <p>Ongoing preparation of IT staff for familiarising and training on the Azycuda World operation</p> <p>Provide training of all Customs staff on application of Azycuda World system when launch of the new system</p>
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5. FINANCIAL PLANNING vs. PERFORMANCE

The revenue target for the financial year 2015/2016 was \$162.22 million which were achieved with a total revenue collection of \$176.34 million giving a surplus of \$14.12 million. Financial Year 2015/2016 is illustrated in Table 1, which reflects a significant increase of \$20 million as compared to the previous financial year 2014/15.

Table 1

Revenue Collected 2013/2014 – 2015/2016 (millions)

	<i>FY2013/14 (\$m)</i>	<i>FY2014/15 (\$m)</i>	<i>FY2015/16 (\$m)</i>
<i>Actual Revenue Collected</i>	<i>134.05</i>	<i>156.33</i>	<i>176.34</i>
<i>Estimated Revenue</i>	<i>126.64</i>	<i>136.93</i>	<i>162.22</i>
<i>Surplus/(Deficit)</i>	<i>7.41</i>	<i>19.4</i>	<i>14.12</i>

Tepile1 (Pa'anga na'e Tanaki)

	FINANCIAL YEAR 2012/13			FINANCIAL YEAR 2013/14			FINANCIAL YEAR 2014/15			FINANCIAL YEAR 2015/16	
MONTHS	ESTIMATES	GROSS ACTUAL COLLECTION	NET ACTUAL COLLECTIO N	ESTIMATE S	NET ACTUAL COLLECTIO N	% Increase or decrease	ESTIMATES	NET ACTUAL COLLECTIO N	% Increase or decrease	ESTIMATES	NET ACTUAL COLLECTIO N
<u>INCOME TAX</u>	-										
LBD INCOME TAX (Corporate Tax)	8,855,000	14,365,378.3 1	14,319,882	11,800,00 0	12,650,293	12 % Dec	11,800,000	12,805,090	1% Inc	13,078,500	14,746,318
SBD INCOME TAX (Corporate Tax)	350,000	1,187,964.23	1,187,964	425,000	1,076,748	9 % Dec	800,000	1,131,527	5% Inc	1,100,000	882,449
<u>PAYE TAX</u>											
Non-Government PAYE	6,100,000	8,190,777.24	8,063,417	6,700,000	7,301,414	9 % Dec	7,200,000	8,052,298	10% Inc	7,745,300	8,542,481
Government PAYE	5,000,000	6,106,764.11	6,081,685	5,800,000	6,280,573	3 % Inc	7,100,000	7,774,457	24% Inc	7,500,000	8,789,264
<u>CONSUMPTION TAX</u>											
Domestic Consumption Tax	7,000,000	12,996,506.7 9	5,254,193	7,500,000	6,313,006	20 % Inc	7,700,000	6,937,204	10% Inc	8,048,300	10,429,891
Government Consumption Tax	325,000	171,877.03	171,877	325,000	435,712	154 % Inc	400,000	435,468	.1% dec	404,000	990,183
<u>TAX DEBTS COLLECTION</u>											
Income Tax Debts Recovery	1,000,000	566,384.37	566,384	500,000	960,199	70 % In	3,000,000	7,700,042	702% Inc	7,350,900	2,453,466
Consumption Tax Debts Recovery	1,000,000	318,661.11	318,661	700,000	1,594,152	400 % Inc	1,300,000	600,630	63% dec	1,600,000	1,203,567
TOTAL	29,630,000	43,904,313	35,964,064	33,750,00 0	36,612,098	8% sur	39,300,000	45,436,718	16% sur	46,827,000	48,037,619

MINISTRY OF REVENUE AND CUSTOMS

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2015/2016

	Financial Year 2012/2013		Financial Year 2013/2014			Financial Year 2014/2015			Financial Year 2015/2016	
Revenue Source	Estimate	Net Actual Collections After Refunds	Estimate	Net Actual Collections After Refunds	% Increase or decrease	Estimate	Net Actual Collections After Refunds	% Increase or decrease	Estimate	Net Actual Collections After Refunds
Import Duty Business	13,700,000	14,684,956	15,000,000	14824419.73	1% inc	15,650,000	17351971.42	15%	18,030,000	19,428,461.12
Import Consumption Tax	47,680,335	48,913,876	48,000,000	51734441.5	6% inc	51,686,307	56975909.2	0%	59,097,500	62,093,173.95
Excise Tax	30,389,665	29,014,949	28,700,000	28166388.54	3% dec	28,950,000	35094798.65	20%	36,830,300	44,997,716.38
Customs Processing Fees	300,000	288,457	300,000	312418.9	8% inc	400,000	430929.19	28%	412,000	360,384.70
Wharfage	180,000	194,625	180,000	164790.34	15% dec	180,000	186597.64	12%	185,400	225,625.94
Attendance Fees	480,000	546,772	500,000	536412.14	2% dec	550,000	565070.15	5%	580,000	945,283.57
Bond Rent	100,000	75,130	100,000	39912.2	47% dec	100,000	172895	77%	150,000	116,722
Import Duty Government	100,000	21,680	100,000	99062.25	357% inc	100,000	96430.58	-3%	101,000	133,254.58
Excise Tax Government	10,000	0	10,000	0	0	10,000	0	0	10,000	
Total	92,940,000	93,740,444	92,890,000	95,877,846		97,626,307	110,874,602		115,396,200	128,300,22.24

Table 2:

Recurrent Expenditure Estimate 2013/14 – 2015/16 (millions)

<i>Financial Year</i>	<i>2013/14 (\$m)</i>	<i>2014/15 (\$m)</i>	<i>2015/16 (\$m)</i>
Actual	3.95	4.08	3.31
Budget	4.05	4.34	3.74

Table 3:

Total value of imported goods for the Financial Year 2015/2016 compared to previous years of 2013/2014 – 2014/2015

Table 3: (CIF)

<i>Financial Year</i>	<i>Total CIF</i>
FY2013-2014	\$301,551,635
FY2014-2015	\$323,153,708
FY 2015-2016	\$373,671,797

Table 4: Compares the volume of cargo imported for the Financial Year 2015/2016 compared to previous years which portrays a significant increase in the volume of imported cargo and illustrated in the table below.

Table 4 (Volume of Cargo Imported)

<i>Financial Year</i>	<i>Volume of Imported Cargo</i>
FY2013-2014	208234.042 tons'
FY2014-2015	225475.805 tons'
FY 2015-2016	282947 tons'

Table 5: Illustrates the foregone revenue during the financial years from 2013/2014 – 2015/ 2016 due to Government support towards local business industries.

Table 5(Exemptions)

<i>Financial Year</i>	<i>Duty</i>	<i>Consumption Tax</i>	<i>Excise Tax</i>	<i>Total</i>
<i>FY2013-2014</i>	<i>\$10,708,013.12</i>	<i>\$3,450,096.77</i>	<i>\$12,710,028.43</i>	<i>\$26,868,138.32</i>
<i>FY2014-2015</i>	<i>\$17,820,150.09</i>	<i>\$8,590,857.87</i>	<i>\$11,553,317.93</i>	<i>\$37,964,325.89</i>
<i>FY 2015-2016</i>	<i>\$10,979,969.40</i>	<i>\$21,359,415.70</i>	<i>\$13,301,567.59</i>	<i>\$45,640,952.69</i>

Table 6: Demonstrates the number of Commercial Aircrafts and passengers processed by the Airport Team comparing the FY 2014/2015 – 2015/2016. As show in the table below, there's a significant hike both in the number of passengers arriving at the airport and also the number of Commercial Flights.

Table 6 (No. of Aircrafts & Passengers)

<i>Financial Year</i>	<i>No. of Commercial Flights</i>	<i>No. of Passengers</i>
<i>FY2014-2015</i>	<i>839</i>	<i>80,610</i>
<i>FY 2015-2016</i>	<i>911</i>	<i>107684</i>

Table 7: Portrays the number of ships processed by the Sea Port team as seen below there's a significant increase in the number of Yachts that visited Tonga throughout the Fiscal Year 2015/2016. There's also a slight change in the number of other ships as shown in the figure below.

Table 7 (No. of Vessels Processed)

<i>Financial Year</i>	<i>No. Commercial Vessels</i>	<i>No. Oil Tankers</i>	<i>No. Gas Tankers</i>	<i>No. Cruise Ships</i>	<i>No. Fishing Vessels</i>	<i>No. Yachts</i>
<i>FY2013-2014</i>	<i>91</i>	<i>26</i>	<i>14</i>	<i>11</i>	<i>17</i>	<i>107</i>
<i>FY2014-2015</i>	<i>91</i>	<i>29</i>	<i>14</i>	<i>12</i>	<i>9</i>	<i>100</i>
<i>FY 2015-2016</i>	<i>100</i>	<i>31</i>	<i>15</i>	<i>12</i>	<i>9</i>	<i>175</i>

6. CHALLENGES AND RISKS

Table 1: Ministry of Revenue and Customs Outputs' Risks & Mitigation Strategies

RISKS & ASSUMPTIONS	DESCRIPTION	MITIGATION STRATEGY
Operating Environment		
a) Lack of proper equipment and technology	Improved inspection facilities and technology are the main requirements to fully support the risk assessment	➤ Seek budget support from donor funding partners
b) External shocks, crisis and natural disasters	External factors such as collapsing of the world economy {e.g. global economic crisis}, international export markets, changes under World Trade Organization (WTO) agreements	➤ Strategy to advice decision makers on the cost to the economy and tax payers of any form of political instability ➤ Economic resilience strategy ➤ Macroeconomic stability ➤ Communication and awareness programs
c) Whole of Government Coordination with line Government Ministries	Increased fragmentation within Government due to conflicting priorities, lack of communication between central agencies, lack of understanding, which would in turn generate cost inefficiencies to Government	➤ Strengthen core government agencies coordination within line Ministries ➤ CEO forum problem solving ➤ Cascaded coordination through all levels of Government

Internal Environment

a) Funding changes	Unjustified decreases or removal in appropriated budget.	<ul style="list-style-type: none"> ➤ Budget execution and control strategies ➤ Prioritization of outputs and activities to transfer funds from low value to high value activities
b) Staffing Gaps	<p>Inability of Revenue and Customs to recruit, maintain the appropriate competencies required to deliver its planned output</p> <p>Slow processing of recruitment from PSC and RA in this new procedure developed with the salary bands.</p>	<ul style="list-style-type: none"> ➤ Better designed, implemented and monitored Corporate Plan ➤ Strengthen coordination with PSC in recruitment of required skills ➤ Organizational improvement strategy to focus on staff development, considers providing incentives for staff performance, staff retaining policy, provision of promotion and career development opportunities ➤ Fixed bands for salaries instead of job sizing every new posts, every vacant posts and every filled posts.

c) Change in Leadership	New Leader new ways and new operations for the Ministry.	<ul style="list-style-type: none"> ➤ Development of a strong executive team and supportive staff to minimize risks to operations when leadership changes occur ➤ Development of effective briefings for CEO and Minister regarding the Ministry's Corporate Plan and their respective roles and significance of these roles ➤ Closer work relationship between the Minister, CEO and the Senior Management Team at all times.
d) Whole of Government Instability – Institutional Change and Internal Disaster – IT corruption	If strategic plans are poor, it may result in uncoordinated long term direction and unacceptable outcomes for MFNP and Government customers	<ul style="list-style-type: none"> ➤ Development of a process for strategic plan development where there is collective whole of Government contribution and ownership of the plan ➤ Clear outline of results based approach linking from TSDF, Sector Plans, Corporate Plan, Budget Annual Management Plans, Job Descriptions etc.
e) Staffing succession and staff capacity training is not formalised	Lack of capacity and skills – Customs roles nowadays have been expanded to include new areas of	<ul style="list-style-type: none"> ➤ Organizational improvement strategy to focus on staff development,

	<p>responsibility which faces resource constraints</p> <p>Lack of Non-Intrusive Equipment & Similar Tools</p> <p>– Physical inspection activity at the border needs correct equipment</p> <p>Lack of staff – Major challenge for Customs department while trying to control goods at the border</p> <p>Customs Automated System – Capability of the current system is limited to number of areas but unable to fulfil the requirements to facilitate legal trade</p> <p>Limited Office Space – Space at Customs not suitable for the purpose of the work which pushes for border security</p>	<p>incentives for staff performance, staff retention policy and provision of promotion and career planning and development opportunities</p> <ul style="list-style-type: none"> ➤ Customs to improve capacity of officer by providing in-house training ➤ Sought available funds to purchase such equipment to speed up inspection ➤ Request for an increase in the budget allocation to recruit more staff ➤ Customs requesting funding for acquiring of the ASYCUDA System to facilitate Customs clearance process ➤ Provide land allotment which is purpose designed space and suitable for Customs operations
f) Level of taxation regulations and compliance knowledge is low	<p>The public, mainly the customers have limited knowledge over the laws and regulations that governs Tonga's revenue and taxation systems</p>	<ul style="list-style-type: none"> ➤ Enhanced tax payer education efforts by conducting regular Taxation Awareness Programs ➤ Conduct media talkback to discuss and clarify any issue regarding taxation ➤ Investigate the possibility of introducing a National Taxation Day/ Week by

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7. CONCLUSION

The Ministry of Revenue and Customs continues to uphold its commitment to contribute to the country's economic growth and safety through robust foreign investments, boosting a friendly business environment and easier accessibility to tax related advisory services. There's also hope for a more consistent approach and detection of non-compliance.

In doing so, the Ministry will continue to monitor and safeguard our borders to ensure a secure environment for people to operate within. The contribution of the Ministry to build the public's confidence in its ability to work towards meeting its outputs through the recognition that this Ministry is the leading contributor to Tonga's economic, security and social programmes, through the collection of revenue in an effective and efficient manner.

In order to ensure service sustainability, there's a plan to focus on developing voluntary compliance as the Ministry understands, there are high levels of voluntary compliance which can assist with maximizing the collection of revenue.

Although there are limited resources available within the Ministry's reach, it is still a priority to identify and treat risks with a range of solutions including assistances through the provision of tailored services to assist taxpayers (customers) at their convenience. It is also targeted to help detect non-compliances cases through the use of the Ministry's enforcement processes.

There are plans to improve policy related issue such as providing advice and implementing policies that are targeted to strengthen the Ministry's leadership's role and credibility within the public service.

The Ministry of Revenue and Customs have unlimited potential in terms of revenue collection therefore we anticipate to achieve our target for the next Financial Year-2016/2017, to collect \$180 million pa'anga for the Government of Tonga.