



Government of Tonga



Ministry of Revenue and Customs

Annual Report
Financial Year 2021/22

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List of Abbreviations and Acronyms

ADB	Asian Development Bank
ASYCUDA	Automated System for Customs Data
CIS	Compliance Improvement Strategy
COVID-19	Corona Virus Disease 2019
CP	Corporate Plan
CT	Consumption Tax
ESRS	Electronic Sales Register System
FTA	Free Trade Agreement
FY	Financial Year
ICT	Information Communication & Technology
JD	Job Description
KPI	Key Performance Indicators
MCC	Maritime Coordination Center
MEIDECC	Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Climate Change & Communications
MORC	Ministry of Revenue & Customs
MTED	Ministry of Trade & Economic Development
NRWHT	Non-Resident Withholding Tax
NPM	Nutrient Profile Model
OCO	Oceania Customs Organization
OSS	One-Stop-Shop
PACER	Plus Pacific Agreement on Closer Economic Relations Plus
PFTAC	Pacific Finance Technical Assistance Center
PITAA	Pacific Islands Tax Administration Association
PMS	Performance Management System
POS	Point of Sales
PSC	Public Service Commission
RSA	Revenue Services Administration
SDGs	Sustainable Development Goals
TADAT	Tax Administrations Diagnostic Assessment Tool
TRS	Time Release Study
TSDf	Tonga Strategic Development Framework
WTO	World Trade Organization
WCO	World Customs Organizations

Foreword from the Hon. Minister

The global pandemic and recent natural disasters have impacted our economic growth and Tonga faces a challenging fiscal and economic outlook. These challenges create a new and renewed strategic focus to address these and future challenges.

I am pleased as Minister for Revenue and Customs to endorse the Ministry's Annual Report for the Financial Year 2021/22. It provided new strategic focus and directions to strengthen domestic revenue performance, modernize revenue administration operations, foster voluntary compliance, protect our borders and facilitate trade.

The Ministry's Annual Report is aligned with the Ministry's Biannual Monitor & Evaluations and the CEO's Biannual Reports which presented that our services are responsive to the needs of the people of Tonga. The Annual Report generates strategic goals and related objectives focusing on increasing the efficiency and effectiveness of our revenue and customs administration and reducing compliance costs for our taxpayers and traders.

The road ahead will continue to challenge us and demand dedication, hard work, and focused stakeholder engagement. Considerable progress has been made along these lines, and more is imminent.

Respectfully


.....
Hon. Tiofilusi Tiueti
Minister for Revenue & Customs



Report from the CEO

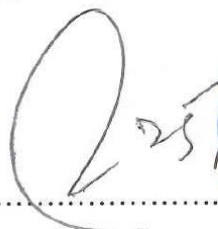
As the Ministry being the primary revenue collector, border administrator and legal trade facilitator, we were committed to continuous improvements for a better service delivery, as well as a trusted and professional conduct towards our government and our people. Having such duty is not an easy task and with Tonga undergoing a dual state emergency, we played a vital role in collecting revenue to fund the state priorities during challenging period.

A number of initiatives were already under way to assist the Government in building national resilience from the devastating natural disasters begun with TC Gita in 2018, TC Harold and pandemic Covid-19 in 2020, the Hunga Tonga – Hunga Ha’apai volcanic eruption and tsunami in January, followed by the covid-19 outbreak in the community in February 2022.

Having mentioned the afore factors, we were challenged fiscally through tax exemptions, tax incentives/reliefs and recovery packages made available as concessions to support private sectors and general public during crisis. These impacted our revenue trends and collection, this Annual Report devised the Ministry’s programs & reforms, key priorities, initiatives and targeted outputs, to guide a mobilized and efficient revenue and customs’ administrations in the current financial year.

Although challenges are beyond measurable and unpredictable, I am confident that the context of this report is of great guidance towards a more competitive advantage tax system, achieving our target revenue which contributes to a more progressive Tonga, supporting a quality life for all.

Respectfully



.....
Mr. Kelemete Vahe

Chief Executive Officer

1.0 Overview of the Ministry

1.1 Executive Summary

1.1.1 Introduction

The Ministry's journey during the Financial Year 2021/22 was led by a vision and guided by a mission. This aims to achieve the target revenue, deliver the target outputs and most importantly, to contribute towards achieving the national impact of the Tonga Strategic Development Framework II (TSDF) "a progressive Tonga supporting a higher quality of life for all";

- **Vision:** "To be recognized as the best Ministry amongst all Government Ministries"
- **Mission:** "To establish and promote highest standard of professionalism and good working relationship with all stakeholders"

The TSDF outlines the national and organizational outcomes for the whole public sector. Those that are applicable to the Ministry of Revenue and Customs are as follows:

TSDF National Outcomes:

- A. More inclusive, sustainable and dynamic knowledge-based economy.
- D. More inclusive, sustainable and responsive good governance
- G. More inclusive, sustainable and consistent advancement of our external interests, security and Sovereignty

TSDF Organizational Outcomes

Pillar 1. Economic Institutions

- 1.1 Improved macroeconomic management and stability with deeper financial markets.
- 1.5 Better access to, and use of, overseas trade and employment and foreign investment.

Pillar 3. Political Institutions

- 3.7 Improved political and defense engagement within the Pacific and the rest of the world.

1.1.2 Legislation and Mandate

Clause 18 of the Constitution of Tonga stipulates that all the people have the right to expect the Government to protect their liberty and property and therefore it is the right for all people to support and contribute to the government according to the law. MORC supports this clause of the Constitution by promoting voluntary compliance and public confidence in the tax and customs system by providing taxpayers with the information and support they need to meet their tax and customs obligations.

The Acts we administer enable MORC to:

- collect revenues that are due and payable under the law;
- ensure compliance with Tax and Customs legislation;
- protect our borders;
- facilitate international trade.

Our primary legislation includes:

- Revenue Services Administration Act & Regulation;
- Income Tax Act & Regulations;
- Consumption Tax Act & Regulations;
- Customs Act & Regulations;
- Customs & Excise Management Act & Regulations;
- Excise Tax Act & Regulations.

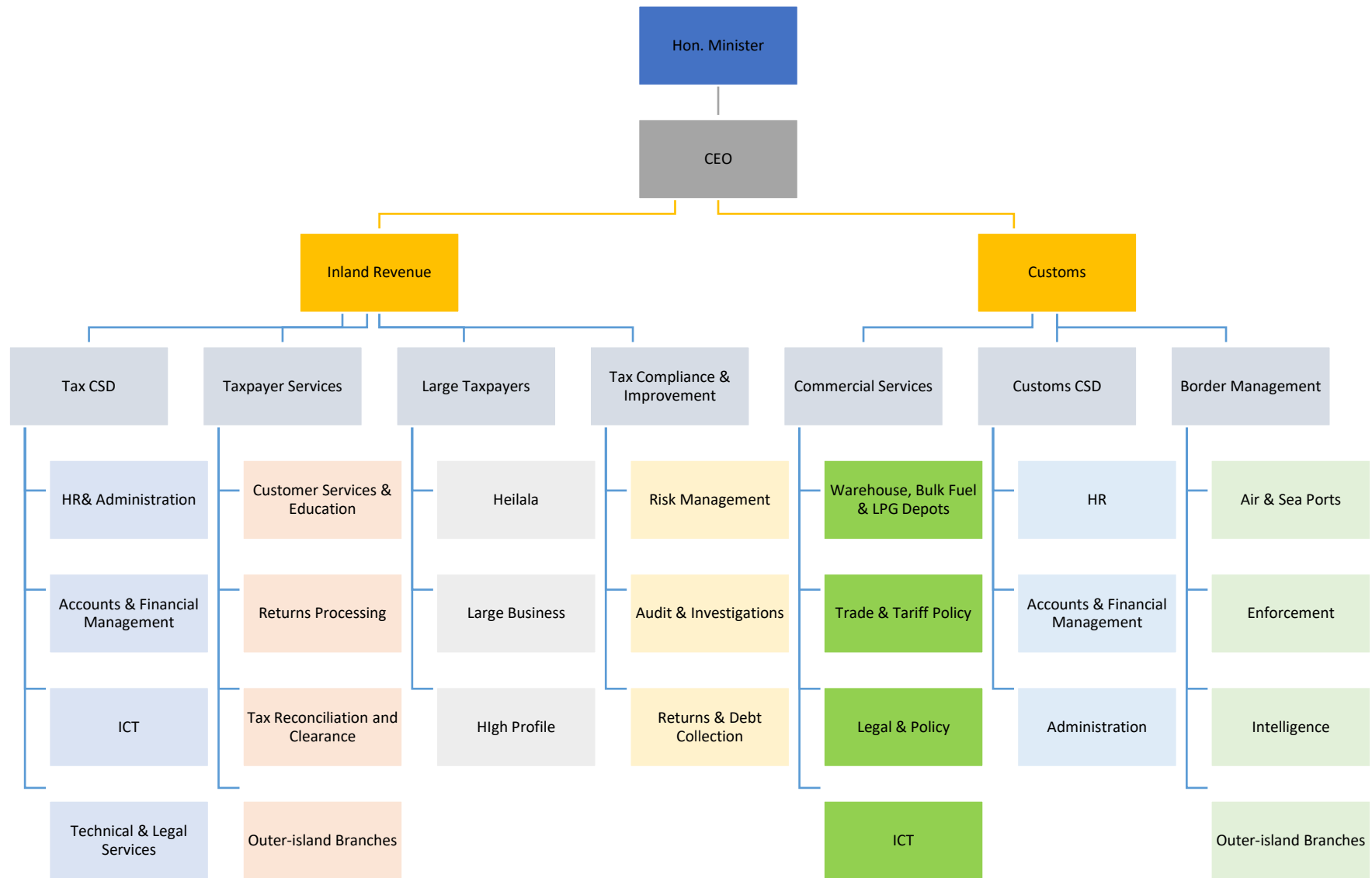
1.1.3 Stakeholders

MORC hereby acknowledges its key stakeholders and their ongoing collaboration that contributes to the revenue growth, trade facilitation and border security. We insist in executing this plan to ensure the services we offer are responsive, efficient and professional.

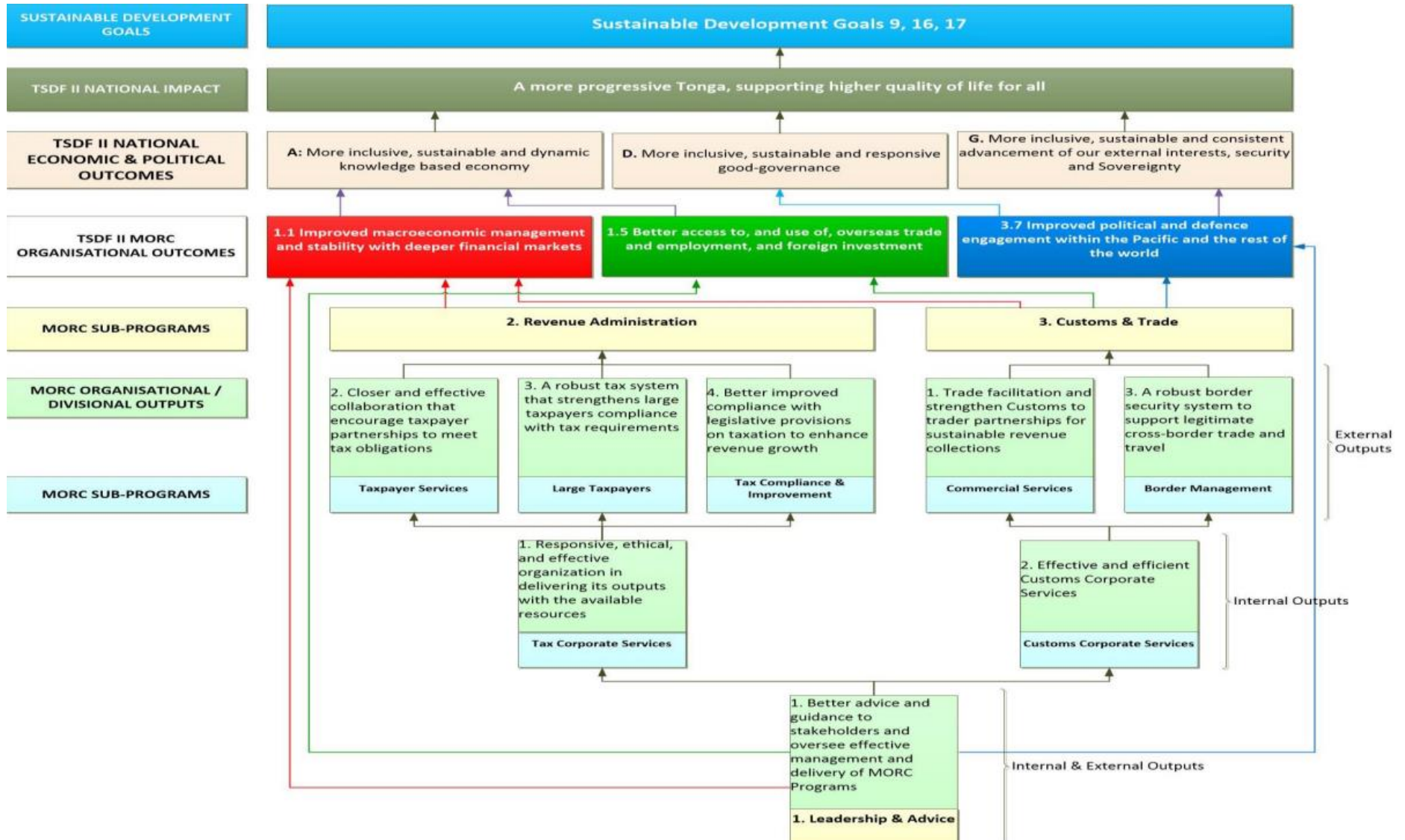
Table 1: MORC-Stakeholders Relationship

<i>Stakeholders</i>	Customer of MORC	Supplier to MORC	Partner with MORC	Oversight of MORC
1. Informal Business Sector	√			
2. All employees	√			
3. All businesses	√	√		
4. Tax Agents	√			
5. Customs Brokers	√			
6. Public Enterprises	√			
7. MDA	√		√	
8. Cabinet				√
9. Legislative Assembly				√
10. International Donor Partners		√	√	

1.1.4 Organizational Structure



1.2 Result Map



2.0 Ministry Performance

2.1 Human Resource Management

The Ministry continues to facilitate strategies that continually attract and retain the key employees. This involved on-going staff capacity building and support programs to ensure employees perform as expected and maintain high degree of compliancy.

Table 2: Number of Employee

<i>Employee</i>	<i>Total (June 2021)</i>	<i>Total (June 2022)</i>
Established Staff	191	194
Unestablished Staff	29	19
Vacancies	33	28
TOTAL	253	241

At end of June 2022, the total Established Staff increase by 1.5% from filling a few of the vacancies. The total Unestablished Staff decreased by 34% due to promoting of staff internally and to other MDAs hence the decrease in number of vacant positions by 15%.

Table 3: Staff Entrance and Exits

<u>Staff Exits</u>			
Name	Designation	Band	Remarks
Michael Cokanasiga	DCEO	G	Resigned - 6/05/2022
Esafe Tokai	Senior Assistant DCEO	H	Retired- 30/06/2022
Letisia Moli	Senior Assistant DCEO	H	Resigned
Tevita 'Akauola	Principal RO	I	Resigned
Halaevalu Kanongata'a	Senior RO	K	Resigned
Taufa Lolomana'ia	Senior RO	K	Transferred & Promoted to MPE
Kilisitina 'Isitolo	RO Graduate	L	Transferred & Promoted to MPE
Tu'ipulotu Hapa	RO Graduate	L	Retired
Asinate Tu'ipulotu	RO Gr I	N	Resigned - 18/01/2022
Soakai Taufu	RO Gr I	N	Resigned - 4/02/2022
Pita 'Aholelei	RO Gr I	N	Deceased- 8/08/2021
Lisiate Lavaka	RO Gr I	N	Deceased- 27/02/2022

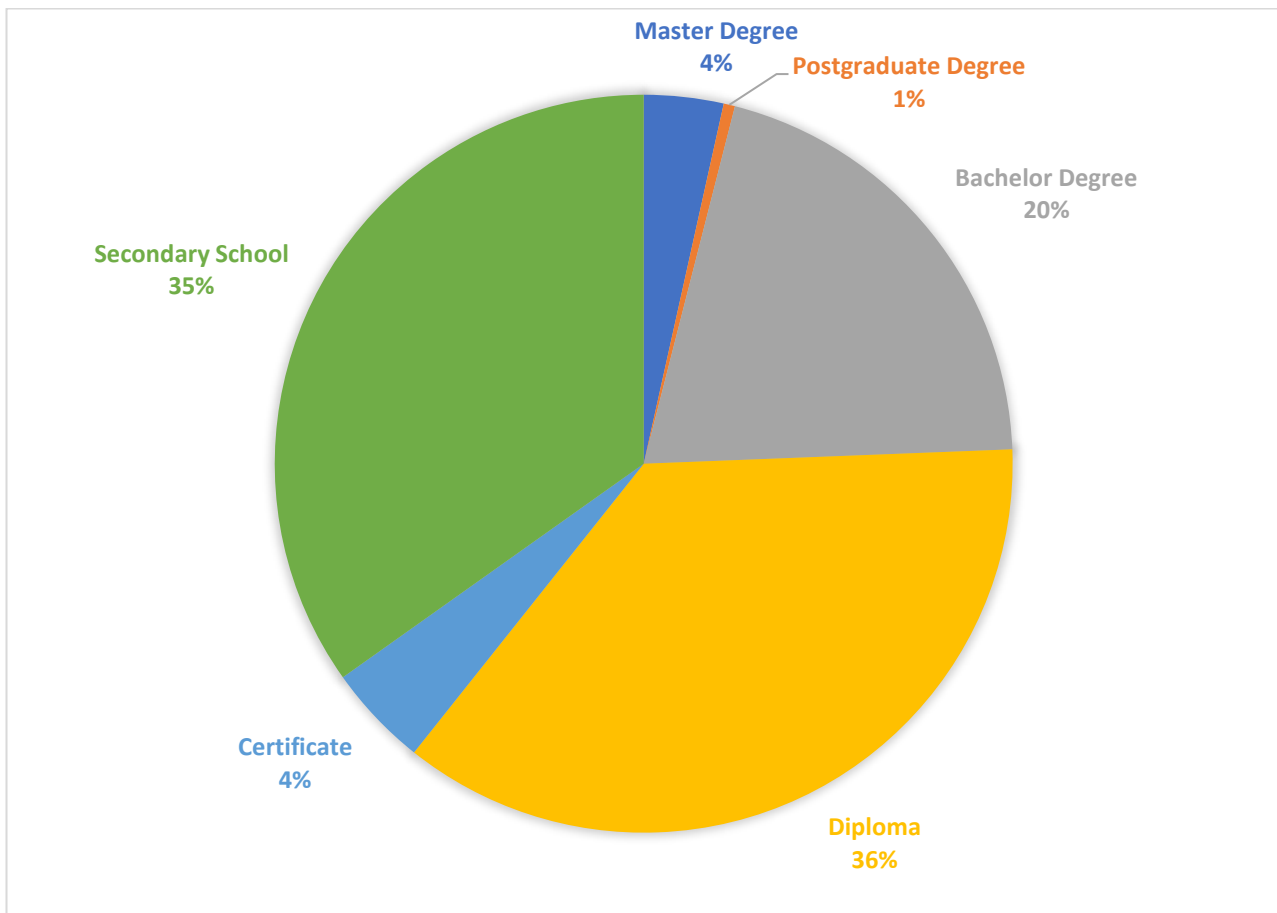
Sela Ahio Mausia	RO Gr II	O	Resigned - 20/10/2021
Kathryn 'Atonio	RO Gr II	P	Resigned
Tevita 'Otuvaka	Watchman	S	Deceased- 23/12/2021
<u>*Staff Entrance</u>			
Sione Havea Vaiaku	RO Graduate	L	New Appointment
Maria Tukutukunga	RO Graduate	L	New Appointment
Selai Tukunga	RO Graduate	L	New appointee- 23/05/2022
Salote Finau	RO Gr I	N	New appointee- 31/01/2022
Viliani Manumu'a	RO Gr I	N	New appointee- 23/05/2022
Faafetai Fe'aomoeata	RO Gr III	Q	New appointee- 7/12/2021
Kalolaine Teutau	RO Gr III	Q	New appointee- 7/12/2021
Taina 'Oto'ota	RO Gr III	Q	New appointee- 7/12/2021
Joy Ha'unga	RO Gr III	Q	New appointee- 23/05/2022
Hu'avai Kolo'ofa'i	RO Gr III	Q	New appointee- 30/05/2022
Moli Makaafi	RO Gr III	Q	New Appointment
Mele Faka'osiula	RO Gr III	Q	New Appointment
Soane Falemaka	RO GIII	Q	New appointee- 9/12/2021
Taufa 'Otuvaka	Watchman	S	New appointee- 20/06/2022
Tangimeimuli Teulilo	Watchman	S	New Appointment
Lavenita Langilangi	Cleaner	S	New Appointment

Table 4: Number of Positions in each Salary Band

Positions	Salary Band	No. of Position
Minister	B	1
CEO	D	1
Deputy CEO	F	1
Deputy CEO	G	4
Senior Assistant Deputy CEO	H	8
Principal Revenue Officer	I	4
Senior Revenue Officer	K	30
Revenue Officer Graduate	L	21
Revenue Officer	M	25

Revenue Officer Grade I	N	36
Revenue Officer Grade II	O	17
Revenue Officer Grade II	P	5
Revenue Officer Grade III	Q	23
Receptionist	R	5
Driver	R	5
Watchman	S	5
Cleaner	S	5

Figure 1: Staff Qualifications



2.1.1 Staff Development and Training

The Ministry invests in the development of capacity building programs to enhance the skills of staff in technical aspect of tax and Customs administrations. The table below summarizes the virtual meetings, trainings, workshops and online courses attended by the staff.

Table 5: Trainings & Workshops

<i>Trainings/Workshops</i>	<i>Dates</i>
1. Improvement of Taxpayer Services Regional Workshop	17 th Aug – 25 th Aug, 2021
2. Workshop on Tax and Digital Transformation	12 th May, 2022
3. Customs Valuation, Value Added Tax [VAT] and Compliance Regional Workshop	31 st May – 2 June, 2022
4. Leading and Managing Revenue Administrations in Difficult Economic Times	Session 1: 27 th Oct, 2021 Session 2: 23 rd Nov, 2021 Session 3: 02 Feb, 2022 Session 4: 02 nd Mar, 2022 Session 5: 06 th Apr, 2022 Session 6: 04 th May, 2022 Session 7: 08 th Jun, 2022

2.1.2 Performance Management System

MORC submitted its PMS Assessment for End of FY2021/22 on the 10th August 2022. The table below summarizes the PMS Results for the FY2020/21 received during the FY2021/22.

<i>Rewards</i>	<i>No. of Employee</i>
5%	15
3%	125
1.5%	129
0%	NIL

2.1.3 Special Awards

MORC received the following traffic light indicators in PMS Quarterly Report and Feedback from the Public Service Commission's Office.

- Quarter 1 - Received **Green** Traffic Light
- Quarter 2 - Received **Green** Traffic Light
- Quarter 3 - Received **Green** Traffic Light
- Quarter 4 - Received **Green** Traffic Light

2.2 Results Management

TSDF II impacts and outcomes supported by MORC outputs.

The MORC makes significant contributions to three [3] out of seven [7] TSDF II National Outcomes.

- A. More inclusive, sustainable and dynamic knowledge-based economy;
- D. More inclusive, sustainable and responsive good governance;
- G. More inclusive, sustainable and consistent advancement of our external interests, security and sovereignty.

2.2.1 Office of the Hon. Minister and the Office of the CEO

<i>CP Output</i>	<i>Achievements</i>	<i>Best Practice(s)</i>
Output 1: Better advice and guidance to stakeholders and oversee effective management and delivery of MORC Programs	Cabinet submissions approved and 100% implemented	Hon. Minister's secretary and CEO's secretary work together closely in updating and monitoring Hon. Minister and CEO's planning and due dates so targets will always met. Also, HODs update the CEO regularly which helps CEO keeping alert of the Ministry's activities to make sure KPIs are achieved and aligns with the Ministry's mandate.
	Corporate Plan and Budget passed in Parliament	
	Tabled Annual Reports in Parliament	
	Implemented 4 new operations to further strengthen border, trade and revenue operations	

2.2.2 Corporate Services Division

<i>CP Output</i>	<i>Achievements</i>	<i>Best Practice(s)</i>
Output 2: Responsive, ethical, and effective organization in delivering its outputs with the available resources	Submitted and presented the first draft to the CEO and Management Team; Submitted draft CP to the Prime Minister's Office; CP (1st & 2nd Draft, and Final Version) was due on time. Revised Version due on July 29 th ,2022 and it was submitted on time.	Study the linkages between the documents carefully and always stay ahead of time.
	Prepared AMP & PDP; Completed in the first half as these are done annually.	
	Prepared Annual Report; Aiming to submit to Cabinet within the given timeline.	
	Submitted Biannual Report 1 to the Office of the Public Service Commission; Biannual 1 was due on time, Biannual 2 was due on July 29 th ,2022 and it was submitted on time.	
	Submitted M & E 1st half to the Prime Minister's Office ; M&E is now biannually, so M&E 1 was due on time. M&E 2 due 29th July it was submitted on time.	
	Completed PMS internal activities for mid-year review and EFY review; Submitted midyear review and EFY review to the Office of the Public Service Commission; Submitted PMS for Quarter 1 to Quarter 4	

	Finalized the Ministry's Annual Budget template and submitted to MOF ahead the given timeline	Development of the new Budget is always assured to be aligned with the Ministry's Corporate Plan and the Budget strategy, funding envelope and baseline. The Ministry's priority for the next FY budget is the Cash Register (ESRS)
	Proper monitored of the Ministries Asset register, with the CEO's approval and submitted the Updated Asset Register to the Ministry of Finance for only assets valued \$5,000 and above. Monitored and updated assets record internally every 6 months	Bi-annual internal monitoring and reporting is to be carried out in July 2022 ** the broken assets are already identified and recorded to be reported to CEO for approval of before submission to MOF for final disposal process
	Submitted the approved Revenue and Expenditure Forecast Monthly monitored and update the Revenue and Expenditure Forecast and advice CEO before submission to MOF Budget Division ahead of the given timeline	work closely with the MOF budget team for weekly update of projections and to justified the increase and decrease of each revenue sources;

	<p>All workstation hardware was upgraded and it's a high specification computer with a high resources and capacity. Workstation software are licenses and it's secure and safe to used internal and external.</p>	<p>upgrade all the workstation pc to the latest version – And the CEO recommends ordering a full license for all the software and everything are updated and run-in high speed and full version.</p>
	<p>New Website was implemented on the last FY and it was perfect as compared to the old one. It's much more user friendly, updates daily and it's more secure and accessible internal and external.</p>	<p>Website was design using a latest platform of Drupal 9. We do receive some good feedback from the tax payer regarding our website.</p>
	<p>More than 95% of the network are operation well and secure at all time.</p>	<p>Highly and effectively manage of the ministry network LAN, WIFI and WAN – with a secure connection all the time</p>
	<p>10 trainings completed</p>	<p>10 legal trainings completed on the new RSAA (ESRS) Regulations both to Internal and External stakeholders</p>

2.2.3 Taxpayer Services Division

<i>CP Output</i>	<i>Achievements</i>	<i>Best Practice(s)</i>
<p>Output 3: Closer and effective collaboration that encourage taxpayer partnerships to meet tax obligations</p>	<p>100% of tax returns and other correspondences are registered and issued on time.</p>	
	<p>Zero customer complain - 224 taxpayer visiting</p>	
	<p>100% accurate and timely processing of revenue receipts</p>	
	<p>100% accurately provided taxpayer information on a timely manner</p>	
	<p>116 workshops and trainings completed</p>	
	<p>51 awareness programs completed</p>	
	<p>*Total of 2196 TIN applications received *100% received & processed within 1 to 2 days including 12 CT registration businesses. *Total of 36 TIN recommended to deregister, consisting of 18 individual TIN and 18 businesses *44 CT registered businesses were spot checked and 100% completed *90% businesses approved are updated its</p>	

	<p>registration information</p> <p>*100% of new businesses registered completed</p>	
	<p>*Total of 12,239 returns received, 100% of all returns processed and checked</p> <p>*All returns received were all process and checked within 4 working days</p>	<p>Even though Covid-19, but we managed to go beyond our target</p>
	<p>*4751 new files created</p> <p>*100% of file and documents filing</p>	<p>Even though Covid-19, but we managed to go beyond our target</p>
	<p>100% Completion of accurate and processing Account Reconciliation in all Tax Type (Transfer CT Credit, Account Reconciliation, Adjust Payment, Cash at Bank all government ministry)</p>	<p>Officers experience with Negotiation Skills, Workflow work procedure followed effectively to pursue Officers reach potential and efficient outputs, Assigned officer into work specialization and focus on each debt book portfolio. Each Officers are working procedural policy executed effectively & efficiently from Officers to DCEO</p>
	<p>95% Completed processed Tax Clearance in 1 days to 3days. Considered TP urgent Tax Clearance;</p>	<p>One officer urgent action on all tasks. Officer is a RO Gr2 and the supervisor helping out on this task when she leaves from work; Target Achieved:</p>
	<p>Completed 15 site visits and 5 trainings</p>	<p>Target Achieved: Large number of individual site visits and taxpayer trainings due to new RSAA and ESRS (POS)</p>

	58/58 TINs processed within 3 working days	Target Achieved- All Tin number received timely processed within 1 working day
	1,106/1,106 returns processed	Target Achieved- Tax returns are timely processed into RMS
	1/1 PAYE reconciliation	Target Achieved- Timely completion of PAYE Reconciliation

2.2.4 Large Taxpayers

<i>CP Output</i>	<i>Achievements</i>	<i>Best Practice(s)</i>
Output 4: A robust tax system that strengthens large taxpayers' compliance with tax requirements	Process 379 returns	plan to process all returns within four days after the due dates
	All tin# Processed within 3 days	Minimize the timeframe from 5 to 3 days
	100% Completed	Heilala did not reject any non-Heilala Taxpayer, willing to stay up late after work to serve taxpayer.
	a) Completed 4 - Heilala PAYE and Withholding Tax reconciliation	
	b)100% Reconciled Heilala members account	Heilala team weekly report were design to identify the account balance on a weekly basis.
	Completed processing of refund applications within 45 days of receipt. 100% application were processed and wait for the CEO directions to issue or not.	Revised the CT Refund Policy by approval to release the amount before checking the documents

	Issued Tax Clearance Certificates on the last working day of quarters 3 and 4; Non-resident Withholding Tax Certificates within 3 working days of receipt. 100% issued and one day before the last working day, WHTNR certificate also provided before the TP request for the certificate	Revised Policy to process the TC 4 days prior to due date
	Completed 100% risk profiling of all the Heilala client	Heilala team weekly report were design to identify the non-compliance on a weekly basis.
	522 returns processed into RMS	Gold and Silver members are prompted by monthly reminder emails to lodge on time which they are divided amongst the team to process returns once they are lodged.
	440 BTC issued from Jan - June 2022 and detailed as follows; Gold (48), Silver (72), Bronze (320)	Calendar alerts notify the team a week before previous blanket tax clearances become invalid to prepare and deliver next periods blanket tax clearances
	90% of Gold and Silver members accounts have been reconciled	Good relationship kept with Heilala members which enables prompt communication via phone and email to reconcile accounts.
	All CT refund applications were processed within 45 working days	LTO policy allows us to issue refunds immediately and review within two weeks

	<p>Recovered 38% of arrears and 90% of non-filed returns.</p>	<p>Reminder emails and extension requests managed properly so that most were due within June 22. The Kafataha approach was applied vigorously and revenue targets were met despite the numerous extension requests and flexible payment plans approved. This involved fostering good relationships with our clients, conducting face to face meetings to ensure clear understanding of tax obligations and promptly assisting TP with their tax requests to facilitate ease of doing business. All these, enabled revenue targets to be met.</p>
	<p>100% of instalment, penalty remission and extension requests were processed from beginning to end in a timely manner</p>	<p>Constant updating of RMS correspondence enables the team to quickly assess and provide recommendations to DCEO and CEO. Added to, prompt response from DCEO and CEO to recommendations given enables these tasks to be fulfilled in good time</p>
	<p>81 returns processed into RMS</p>	<p>Teamwork - working in collaboration with other divisions in order to obtain High Profile members Form 4 for processing and assessment. Added to, reaching out to salary clerks prompted them to submit form 4 for processing and assessment</p>

	90% of all refund applications lodged had been processed and 52% of high-profile members debit assessments issued	Serving High Profile members is a priority and the good partnership kept with High Profile members enables refund process to be seamlessly executed.
	All TC applications received are processed within one day.	High Profile policy requires for tax clearances to be processed within a day.
	Due to COVID-19 restrictions and HTHH, only 8 face-to-face visits were conducted however this task was completed via 3 email and 5 phone calls.	Utilizing of emails and phone calls - Talatalanoa approach.
	95% of penalty remission and instalment payment requests were processed from beginning to end in a timely manner	Constant updating of RMS correspondence enables the team to quickly assess and provide recommendations to DCEO and CEO. Added to, prompt response from DCEO and CEO to recommendations given enables these tasks to be fulfilled in good time
	100% secured and updating files and information.	All information pertaining to High Profile members are instantly sorted into their Personal file and the filing room is always locked when not in use.

2.2.5 Tax Compliance and Improvement Division

<i>CP Output</i>	<i>Achievements</i>	<i>Best Practice(s)</i>
Output 5: Better improved compliance with legislative provisions on taxation to enhance revenue growth	92% of the target relevant data was completely extracted within required timeframe	1. Team Work: 2 officers assigned to work on data 2. Unplanned Area: Since the Covid 19 Lockdown more data/information requested from HOD
	100% of the target relevant data was completely transformed into information within required timeframe	
	82% of the target relevant quality risk information was completely disseminated to relevant sections	
	100% planned CIS Completed within timeline	PFTAC Assistant - the assistant from PFTAC helps us in complete our Overarching CIS (version 2) with 6 individual CIS(s).
	140% of targeted taxpayer has completely quarterly review	Covid 19 Lockdown (Jan - Apr): the lockdown affects our planned and the team shift our time (Apr - June) and resources to priorities activities.
	100% completeness the allocation of comprehensive case within the required timeline	Meet Target : Review taxpayer profiling on the same date when we received from Risk Management section or Other sections follow their recommendation : Allocate to the case owner via email & also given out the internal

	100% completion of a quality audit planning for a full scope audit within the required timeline	memo paper work within the same date : Within 3 working days from allocation date, supervisor requested a preparation of presentation slides from case owner for his/her status of his minor reviewing and analyzing and also proposal audit planning : Compile all contribution from all team members to his/her final audit planning
	100% completeness, the allocation of specific risk case within the required timeline	Meet Target: Review taxpayer profiling on the same date when we received from Risk Management section or Other sections follow their recommendation : Allocate to the case owner via email & also given out the internal
	100% completion of a quality audit planning for a limited scope audit within the required timeline	memo paper work within the same date : Within 2 working days from allocation date, supervisor requested a preparation of presentation slides from case owner for his/her status of his minor reviewing and analyzing and also proposal audit planning : Compile all contribution from all team members to his/her final audit planning
	100% compliance and accurate of managing of a limited scope audit according to the plan	Meet Target: Taxpayer always timeliness due and lodged a requested information and meeting : Working a group or team meeting to discuss the issues occurred

		<p>from that case</p> <p>: Compile and highlighted those feedback for a final propose the assessment</p> <p>: Management changed our audit approach in a way of operations by recruit some more staffs to involved but not limit to audit section only</p>
	167% (14) completion of the target limited scope audit (12) for the first six months of this financial year	<p>Meet Target: Always approached in a professional way that can reduce the compliance gab from taxpayers</p> <p>: Always applied consistency outcomes for all taxpayer's</p> <p>: Support's taxpayer's figures if they provide the accurate supporting figures</p> <p>: Engage working group with other sections staffs and implemented priority operations focus on tax types</p>
	100% completeness, the allocation and planning of investigation cases	<p>Meet Target: Review taxpayer profiling on the same date when we received from Risk Management section or Other sections follow their recommendation</p> <p>: Allocate to the case owner via email & also given out the internal memo paper work within the same date</p> <p>: Within 2 working days from allocation date, supervisor requested a preparation of presentation slides from case owner for his/her status of his minor reviewing and analyzing and also</p>

		proposal audit planning : Compile all contribution from all team members to his/her final audit planning
	100% timely allocation of application and documents	Meet Target: Always approached in a professional way that can reduce the compliance gap from taxpayers : Support's taxpayer's figures if they provide the accurate supporting figures
	91% Proportion Recovered of Recoverable arrear as at beginning of FY (Accurate & timeliness)	Operation Mercator, Executing TOP100 Recovery program, Plan resurgence collection project, Enforcing demand letters, Audit voluntary Disclosure, Operation Foa Kau Tuú, review instalment payments agreements
	95% Completion of the instalment payment arrangement process for arrears timely and accurately within 3 working days	Officers' experience with Negotiation Skills, Workflow work procedure followed effectively to pursue Officers reach potential and efficient outputs, Assigned officer into work specialization and focus on each debt book portfolio.
	95% Completion of the instalment payment arrangement process for Current Tax Debt timely & accurately within 3 working days	

	95% Complete the penalties remissions process within 5 working days	Effective Taxpayers Services via partnership development approach directed by CEO and executed by DCEO effectively & efficiently
	90% Timely process all extension requests within 3 Working day	
	90% Internal write off approved cases processed for Bad Debts Taxpayers completed, timely and accurately	Cases well completed and timely and beyond the expected target. List of Bad Debts is awaiting to next Cabinet Decision.
	95% Timely completion of information within 2 working days	
	95% Timely submissions of Reports within 5 working days	
	125% Proportion of outstanding returns at start of FY recovered/lodged at the end of the FY.	Well executing Outbound Call center approach, executing TOP 100 recovery program, Re-action Data Cleansing work together with Registration Team, follow through actions on Business Closedown, Not Required of business not in operation
	95% Completion of the proposed lodgment arrangement process timely and accurately within 3 working days	Workflow work procedure followed effectively to pursue Officers reach potential and efficient outputs
	95% Complete the late filing fees remissions process within 5 working days	

	92% Timely process of all extension requests within 2 Working days	Effective Taxpayers Services approach directed by CEO executed effectively & efficiently
	95% Not-Require Process (completed, accurate & timeliness) within 5 working days	Working policy executed effectively & efficiently from Officers to DCEO
	85% Pre-Outbound Call list Processed (Timeliness & completed) Within 5 working days before due date	Well planned and executed of effective Outbound Call Centre, well monitor of actions and all Officers participated excellency, Timely as a result from DCEO's lead to push well forward in actions done
	85% Post-Outbound Call List Contacted (Timeliness & completed) Within 3 working days after due date	
	95% Timely completion of information within 2 working days	
	95% Timely submissions of Reports within 5 working days	
	92% Payments Adjustment process (Accurate, completed & timeliness) within 1 working days	Reconciliation action beyond expected.

	85% Tax Credits Adjustment process (Timeliness, accurate & complete) within 3 working days	
	95% Complete (accurate) Debt Management process in a timely manner	Officers took work and action from Home due to very demand turnaround time for this report
	95% Verification & reporting Debt Book in an accurate & timely manner	
	95% TC applications lodged processed within 3 working days	One Officer urgent action on all actions, Senior Officer perform no other action but only for Tax Clearances recovery actions
	95% BTC applications lodged processed within 1 working days	Supervisor solely handle TC actions for all Blanket TC, Actions are performed as soon as received of TC applications

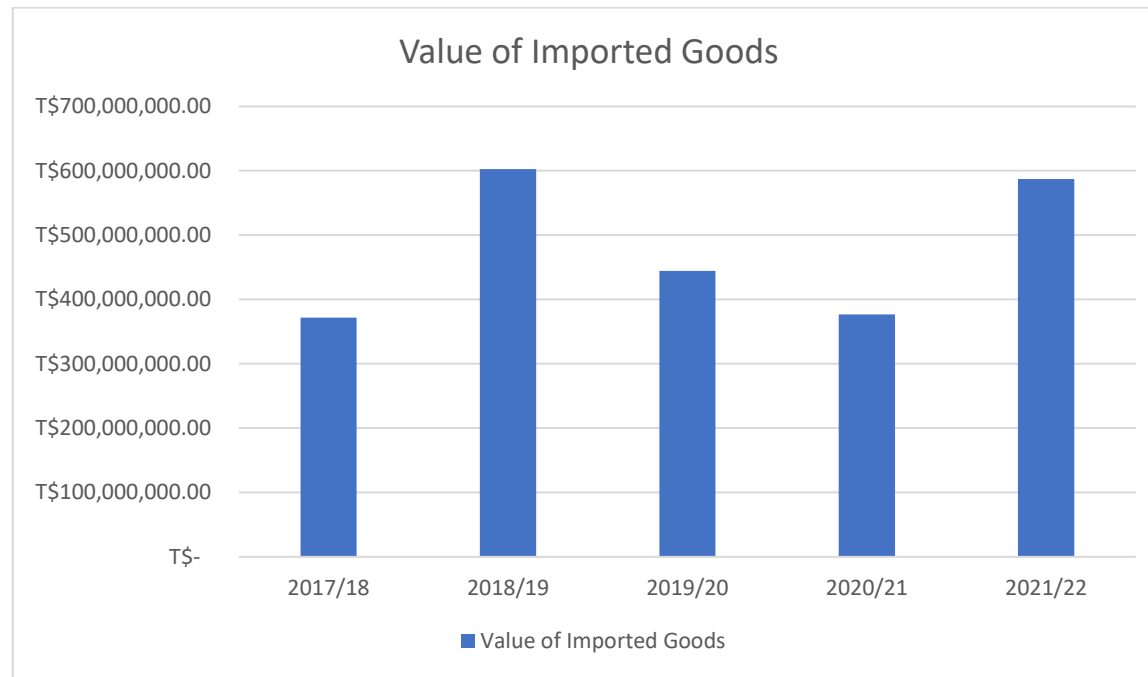
2.2.6 Commercial Services Division

<i>CP Output</i>	<i>Achievements</i>	<i>Best Practice(s)</i>
Output 6: Trade facilitation and strengthen Customs to trader partnerships for sustainable revenue collection	Better monitoring of warehouse stock movements; 5 Stock reconciliations conducted - Molisi Tonga, Kasanita Motors, HM motors and Kasanita Motors	Initiated Warehouse Operator discussion forums to address key compliance issues and to keep operators up to date with their obligations. These forums also provide an opportunity to raise issues relating to Customs processes and procedures as well as contribute to future policy development and improvement of partnerships.
	Overall revenue collection targets for the FY as at the end of Biannual 2 were surpassed, Overall revenue target surpassed.	Experienced and skilled staffs responsible for this task thus facilitated speed of process. Vigilant efforts of responsible staff in analyzing all Transactions to ensure accurate and timely collection of revenues due to Customs.

2.2.6.1 Value of Imported Goods

Financial Year	Total Cost, Insurance & Freight (CIF)
2017/18	\$371,971,599.55
2018/19	\$602,621,277.10
2019/20	\$444,351,882.61
2020/21	\$376,599,099.24
2021/22	\$587,066,255.82

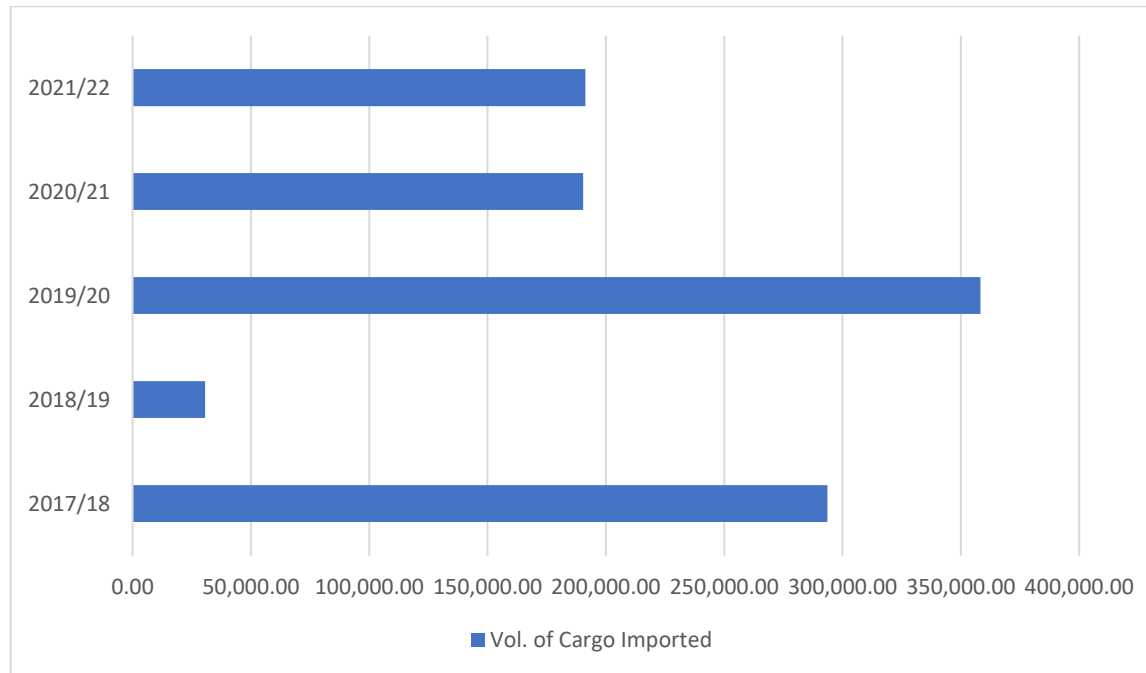
Figure 2: Value of Imported Goods



2.2.6.2 *Volume of Cargo Imported*

<i>Financial Year</i>	<i>Volume of Cargo Imported</i>
2017/18	293,671.63 tons
2018/19	30,561.23 tons
2019/20	358,254.291 tons
2020/21	190,354.972 tons
2021/22	191,394.92 tons

Figure 3: Volume of Cargo Imported



2.2.6.3 *Customs Exemptions*

<i>Financial Year</i>	<i>Duty</i>	<i>Consumption Tax</i>	<i>Excise Tax</i>	<i>TOTAL</i>
2017/18	\$10,582,773.14	\$21,812,405.04	\$20,097,929.88	\$52,493,108.05
2018/19	\$14,815,326.85	\$16,252,043.13	\$31,064,527.92	\$62,131,897.90
2019/20	\$20,220,726.94	\$34,157,107.10	\$18,003,390.28	\$72,381,224.32
2020/21	\$12,599,587.27	\$26,864,477.00	\$18,038,717.12	\$57,502,781.39
2021/22	\$11,914,612.67	\$15,092,002.73	\$22,307,323.09	\$49,313,938.49

Figure 4: Customs Exemptions



2.2.7 Border Management Division

<i>CP Output</i>	<i>Achievements</i>	<i>Best Practice(s)</i>
Output 8: A robust border security system to support legitimate cross-border trade and travel	a) Implement and monitor COVID-19 and Border Restrictions; Follow up constantly with the approved policy from COVID-19 committee.	Follow COVID-19 policy committee
	b) Provide primary line Immigration Clearance at all international ports of entry ; Ongoing follow up with COVID-19 policy committee on clearance process during this pandemic with no complaint received within this quarter Total Passengers - Arrival - 2,838 - Departure - 3753	Follow COVID-19 policy committee
	c) Monitoring of cargo movement and disposal ;100% accuracy of monitoring cargo movement. Each cargo transferred must escorts by Customs Officers, and each Customs license Approved places lodged their Stock Reconciliation on a monthly basis.	Follow up and updated progress of works.
	d) Number of public awareness program on war against illicit drugs Target Achieved - Awareness programs delivered as radio talkback programs undertaken on a weekly basis.	Assigned radio talkback programs by CEO for awareness on a weekly basis assist by DCEO(s) within our Ministry.

	Patrol undertaken twice a week, there were 48 altogether and reported fortnightly.	Ensure that there's no incoming crafts near our borders during border restrictions.
	As per targeted, it was more than 1 stock reconciliation conducted within this quarter as each approved places have been undertaken stock reconciliation on a monthly basis.	Teamwork and Collaborate with the Approve places managements

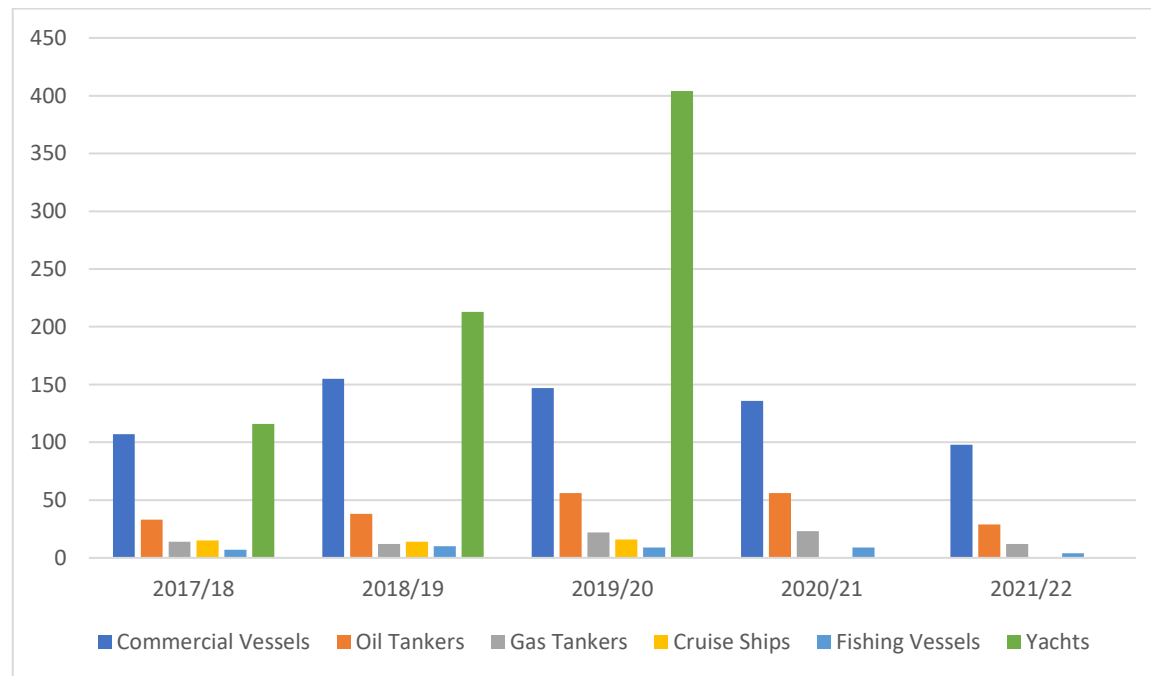
2.2.7.1 Number of Aircrafts and Passengers Arrived

<i>Financial Year</i>	<i>No. of Commercial Flights</i>	<i>No. of Passengers</i>
2017/18	966	100,691
2018/19	889	103,341
2019/20	781	78,437
2020/21	91	2,762
2021/22	100	3,249

2.2.7.2 Number of Vessels Arrived & Processed

<i>Financial Year</i>	<i>Commercial Vessels</i>	<i>Oil Tankers</i>	<i>Gas Tankers</i>	<i>Cruise Ships</i>	<i>Fishing Vessels</i>	<i>Yachts</i>
2017/18	107	33	14	15	7	116
2018/19	155	38	12	14	10	213
2019/20	147	56	22	16	9	404
2020/21	136	56	23	0	9	0
2021/22	98	29	12	0	4	0

Figure 5: No. of Vessels Arrived & Processed



2.3 Financial Management

The ministry's Actual:

- Expenditure increased by 6.0% from \$10,047,600 in FY2020/21 to \$10,646,700 in FY2021/22
- Revenue Collection increased also by 5% from \$240,766,107 in FY2020/21 to \$247,125,164 in FY2021/22.

Table 6: Expenditure by Category

<i>Expenditure Categories</i>	<i>FY2020/21 (\$mil)</i>	<i>FY2021/22 (\$mil)</i>	<i>Variance</i>
Established Staff (10)	6.3	6.3	-
Unestablished Staff (11)	0.3	0.4	+0.1
Travel & Communication (12)	0.4	0.4	-
Maintenance & Operations (13)	0.8	0.9	+0.1
Purchase Goods & Services (14)	2.1	2.0	-0.1
Grants & Transfers (15)	0.1	0.03	-0.07
Assets (20)	0.2	0.6	+0.4
TOTAL	10.2	10.6	+0.4

Table 7: Revenue by Source

<i>Revenue Source</i>	<i>Budget Estimates</i>	<i>Actuals</i>	<i>Remaining Balance</i>
PAYE Tax - Government (Small Business)	8,034,000	10,734,588	+2,700,588
PAYE Tax - Non-Government (Large / Small Business)	11,289,800	9,311,019	-1,978,781
Corporate Tax - Small Business	1,000,000	871,062	-128,938
Corporate Tax - Large Business	17,052,900	19,081,721	+2,028,821
Withholding Tax (residents)	1,000,000	651,058	-348,942
Withholding Tax (non-residents)	8,000,000	10,423,463	+2,423,463
Consumption Tax - Domestic	21,000,000	24,228,657	+3,228,657
Tax Debts Recovered (Corporate)	4,000,000	4,494,995	+494,995
Tax Debts Recovered (CT)	2,500,000	1,362,725	-1,137,275
Wharfage on Goods	-	500	+500
Business Import Duties	21,868,900	20,295,669	-1,573,231

Government Import Duties	417,100	111,413	-305,687
Consumption Tax - Import	74,439,900	82,304,927	+7,865,027
Consumption Tax – Government	1,200,000	1,214,525	+14,525
Excise Tax	62,382,500	61,206,577	-1,175,923
Excise Tax - Government	1,000	4,467	+3,467
Attendance Fees	820,400	359,398	-461,002
Bond Rent	500,000	-	-500,000
Custom Entry Processing Fees	300,000	405,246	+105,246
Wharfage on Goods	50,000	63,153	+13,153
<u>TOTAL</u>	<u>\$ 235,856,500</u>	<u>\$ 247,125,164</u>	<u>+\$ 11,268,664</u>

2.4 Procurement

Table 8: Number of Procurements

<i>No. of Received Proposal</i>	<i>No. of Endorsed Proposal</i>	<i>No. of Compliance</i>
8	8	5

Table 9: Procurement Methods

<i>Method of Procurement</i>	<i>Quantity</i>
Single Source	1
RFQ	1
Limited Bidding Method	3

2.5 Assets Management

<i>Registry Items</i>	<i>Value FY2020/21</i>	<i>Value FY2021/22</i>	<i>Remarks</i>
Infrastructure	-	65,716.16	Structural Permanent Steel Publicity Archway purpose for promotional planned in regards to War on Drugs, NCD and priorities of the ministry
Vehicles	201,841	284,000.00	2 New Toyota HiAce 15Seater for Border Management Division
Computer Software	191,145.00	16,131.00	
Computer Hardware	326,552	30,805.00	Purchasing of computer hardware to facilitate services
Office Equipment	25,970.48	500.00	
Other Plant and Equipment	155,004	24,279.49	New Generator (20% paid in advance)
Furniture & Fittings	35,150.42	1,250.00	

3.0 Significant Issues/Challenges

3.1 Issues/Challenges

- Impact of Covid-19 on businesses as reflected in delay of execution of the planned activities for the financial year;
- Reprioritization of planned activities and special operations to be compatible with the current situation and impact of Hunga Tonga Hunga Haápai (HTHP) and Covid-19.
- Lack of modernize technical equipment to detect illicit drugs and other illegal goods from entering the borders

3.2 Risk Management

Consumption Tax Refund: Liaise with Ministry of Finance to pay out the Consumption Tax refunds from the previous financial years from a separate account instead of the Ministry's current revenue collection.

4.0 Conclusion

The global pandemic and recent natural disasters have already impacted our economic growth and Tonga faces a challenging fiscal and economic outlook – these challenges require a new and renewed strategic focus to address these and future challenges. It is vital that MORC be proactive and contribute to addressing the fast-evolving pandemic that countries are facing all over the world. This includes ensuring that we safeguard tax and customs revenues to meet government spending needs by ensuring that overall compliance levels are best maintained.

MORC is now steering towards risk-base and ICT driven operations to assist the ministry's mandates, more efficiently and effectively. So, MORC had started extra projects apart from the employee daily tasks, these enhance revenue collection as greatly impacted the financial year 2021/22's revenue collection.

The Electronic Sales Register System (ESRS) project is one of MORC's current top priorities. This project aims at the inland revenue collection focusing on Consumption Tax, whereas to proper monitor and attaining the sectors underlies with the numerous aspects including sales controls and CT input. The enforcement of an appropriate system assists mitigating the risks and to strengthen the improvement capacity and compliance behavior of the key revenue generators for Tonga. This project will connect the businesses Point of Sales (POS) to our Revenue Management System (RMS), real time and encrypted reporting of all transactions.

Moreover, under the PACER Plus Trade Agreement, Customs Department is implementing ASYCUDA World to automate the full cargo clearance processes. The ASYCUDA World system is widely used in more than 90 countries around the world and the system is deployed by United Nations Conference on Trade and Development. Under this project, we have implemented procedures to submit air and sea cargo manifest electronically to the Customs Department. The next phase of the implementation is deployment of Customs declaration, payment and risk management functions of ASYCUDA World. This also will contribute more to the revenue collection and provide data and information for border management.

Furthermore, MORC supports improving people's lives. Therefore, the ministry will always significantly diminish illicit financial, drugs and arms flows by ongoing strengthening border management to combat all forms of organized crime. With the help of ASYCUDA, Tonga's border management can access research and data collection in several areas connected to organized crime including firearms, drugs and other illicit markets and trafficking in persons.

