

SIXTY-FOURTH REPORT

OF THE

SALARIES REVIEW COMMISSION

OF THE

REPUBLIC OF TRINIDAD AND TOBAGO

November 27, 2001.

SIXTY-FOURTH REPORT OF THE SALARIES REVIEW COMMISSION

Review of the Terms and Conditions of Service of the Office of Assistant Commissioner of Inland Revenue

By letter dated August 17, 2001 the President of the Republic of Trinidad and Tobago conveyed his approval for a revision by the Salaries Review Commission (SRC) of the salary and other conditions of service of the office of Assistant Commissioner of Inland Revenue, Inland Revenue Division, Ministry of Finance. This office was placed within the purview of the SRC by virtue of Legal Notice No. 159 dated August 2, 2001.

Background

2. In the conduct of our review, we interviewed the Commissioner of Inland Revenue and Chairman of the Board of Inland Revenue who clarified the role and function of the Inland Revenue Division in the economy of Trinidad and Tobago and the scope of work performed by the Assistant Commissioners. The Chairman of the Board provided us with information on the reform measures which had taken place in the Division over the years and those being undertaken at present as well as the vision of the Ministry of Finance for the Division.

3. In formulating our recommendations, we examined the top managerial structure of the Inland Revenue Division which consists of a Commissioner of Inland Revenue and Chairman of the Board, who is the head of the Division, three (3) offices of Commissioner of Inland Revenue and nine (9) offices of Assistant Commissioner of Inland Revenue. We recognised that the Inland Revenue Division, though a Division of the Ministry of Finance, is a Department in its own right. This was evident by the size of the organisation as well as its role and function. The Division comprises some 1200 permanent offices and 225 contract positions and is sub-divided into functional areas including Compliance, Administration, VAT Administration, VAT Compliance, Audit, Collections Enforcement, Accounting Control and Return Processing.

4. Apart from the organisational structure and the purpose of the Division, we examined the reform process and its implications for the scope of work of the Division and particularly, that of Assistant Commissioners of inland Revenue.

Role and Function of the Inland Revenue Division

5. We note that the role and function of the Inland Revenue Division devolve from legislation, with the Division being required to administer the taxation laws of Trinidad and Tobago. These laws include:-

The Income Tax Act, Chap. 75:01
The Corporation Tax Act, Chap. 75:02
The Petroleum Taxes Act, Chap. 75:04
The Stamp Duty Act, Chap. 76:01
The Land and Building Taxes Act, Chap. 76:04
The Value Added Tax Act, No. 37 of 1989

6. In addition to these laws, we were advised that the Division administers double taxation agreements with the United States of America, Canada, the United Kingdom and many other countries. It also has responsibility for the collection of certain licence fees, duties and other charges under a number of other statutes.

7. The Division, we understand, carries a heavy responsibility in that it collects the greatest proportion of Government's revenue and consequently, is considered an important pillar in the economy of Trinidad and Tobago.

Reform Measures in the Inland Revenue Division

8. We have been advised that the last major reform of the Inland Revenue Division took place in 1970 when it was restructured along functional lines. Since that time, a number of new areas of responsibility, namely, Oil Audit, Compliance and Collections Enforcement have been added to the Division's portfolio. Another reform initiative was launched in 1990 with the introduction of a new tax, the Value Added Tax (VAT).

9. The reform thrust has intensified the need of the Division to respond to globalisation and rapid changes in commerce. As a result, the current goal is to transform the Division into a modern and efficient mode with the ability to respond effectively to the needs of its clients, namely, the State, individuals and companies. To date, significant improvements have been made in the collection capability of the Division and in measures for increasing compliance with tax legislation. Ultimately, the reform process would result in a major restructuring of the Inland Revenue Division and a complete redefining of its business processes.

10. We are informed that other important aspects of the reform will include the complete automation of existing processes and the integration of the entire tax system to provide for one tax-processing centre for all tax returns and documents and for timely taxpayer services. This move is seen as essential by the Division, not simply to ensure the efficient collection of monies due to the State, but also to allow the Division to improve its overall level of service to the tax-paying community. It is our understanding also that steps will be taken to strengthen the Division's collection and compliance capability by creating a specialised unit to investigate tax fraud.

11. We also learnt that significant attention is to be paid to increasing the Division's internal audit capability. Moreover, in the area of the auditing of revenues of oil and gas producing and refining corporations, the International Monetary Fund has recommended that major changes be made to existing oil and gas legislation. The Division is in the process of reviewing these proposed changes with a view to implementation.

12. We are advised that the Internal Revenue Service of the United States of America has been engaged to provide technical assistance to the Inland Revenue Division in its reform process and this exercise is expected to continue for the next two (2) years.

Role and Function of the Office of Assistant Commissioner of Inland Revenue

13. We understand that these initiatives have had a significant impact on the nature of the duties and responsibilities of the Assistant Commissioners of Inland Revenue by expanding their roles to encompass these developments.

14. The office of Assistant Commissioner of Inland Revenue is a senior managerial position in the organisational structure of the Inland Revenue Division. The office holders are required to provide managerial support to the Commissioner of Inland Revenue and Chairman of the Board and to the other Commissioners of Inland Revenue. Essentially, they are the operational managers of the various sub-divisions of the Inland Revenue Division.

15. The work of the Assistant Commissioners of Inland Revenue is of a professional and administrative nature. In this regard, the office holders are responsible for planning, managing, directing and co-ordinating the operational activities of the sub-divisions of the organisation which cover the several areas of the tax administration system. They administer the relevant tax laws as well as assist in policy formulation and implementation. Altogether, the Assistant Commissioners play an important role in effectively managing the various areas of the tax system to ensure compliance with taxation laws, the collection of the appropriate taxes, proper auditing of taxable incomes and revenues and the maintenance of an effective taxation accounting system.

16. We understand that the Assistant Commissioners will be expected to take the lead role in the implementation of the various facets of the reform of the tax system now in progress. In this connection, great reliance will be placed on the professional, technical and other skills of the office holders for the success of the reform measures. It is expected as well that the traditional areas of responsibility of the office holders will be transformed as the Division moves to strengthen its collection processes, internal audit capabilities and inspection function. As a result of these reform initiatives, the Assistant Commissioners will be responsible for managing the following portfolios, among others:-

- i. the caseload assignment processes;
- ii. the processes for the more efficient remittance of tax payments;
- iii. the implementation of standardised guidelines for the application and abatement of penalties;
- iv. the implementation of standardised procedures for internal audits; and
- v. an improved and strengthened taxpayer assistance capability.

Duties and Responsibilities

17. The major duties and responsibilities of the office of Assistant Commissioner entail:-

- (i) planning, directing and co-ordinating the activities of one of the sub-divisions of the Inland Revenue Division;
- (ii) participating in the formulation of policies and guidelines for the administration of taxation in accordance with the strategic plan of the Division and Government policy;
- (iii) monitoring the existing systems for tax audits, assessments and collections, determining their effectiveness and recommending changes, if necessary;
- (iv) overseeing the implementation of policy decisions and ensuring the discharge of statutory duties; and
- (v) providing professional advice to local, regional and international organisations and companies and members of the public on complex tax-related matters.

18. In managing the day-to-day operations of their various sub-divisions, we understand that the Assistant Commissioners have a considerable share of administrative responsibility for large numbers of staff which consist of professional, technical, administrative, clerical, secretarial and manipulative categories. As far as technical work is concerned, some of the specialized areas for which their sub-divisions are responsible include:-

- (i) auditing of revenues of oil and gas producing and refining corporations;

- (ii) monitoring of chemical, natural gas and fertiliser producing industries;
- (iii) participating in double taxation negotiations;
- (iv) monitoring of banking and other financial institutions with respect to compliance with tax laws; and
- (v) managing the PAYE and VAT systems.

19. In assessing the relative worth of the office of Assistant Commissioner, we compared the duties and responsibilities of that office with those of the office of Commissioner to whom Assistant Commissioners report. The Commissioners, who in turn report to the Commissioner of Inland Revenue and Chairman of the Board, are responsible for strategic planning as well as organizing and co-ordinating the functional activities of the Inland Revenue Division and for formulating policy for the administration of the tax laws. Their work also involves reviewing those laws and recommending changes, where necessary, within the framework of Government policy. The Commissioners, therefore, have responsibility for the overall organization and its strategic direction and success whereas Assistant Commissioners are given charge over the operations of sub-divisions of the organization while providing support to the Commissioners in ensuring the successful implementation of the State's taxation policies.

Educational Qualifications, Experience and Training

20. In respect of educational qualifications and training, we are advised that the office holders are required to possess extensive knowledge of the principles and practice of tax administration and tax audits and extensive experience in the interpretation and application of Income Tax law and practice. They are also required to have either a professional qualification in Accounting or Law or post-graduate training at the Master's level in Economics or Management, supplemented by in-service training or any equivalent combination of experience and training.

Existing Remuneration Arrangements

21. The office of Assistant Commissioner of Inland Revenue is at present classified in salary range 63 of the Civil Service Classification and Compensation Plan. The current remuneration arrangements applicable to the office are as follows:-

Salary	-	\$7,982 per month
Cost of Living Allowance	-	\$55 per month

Transport Facilities

- (i) Motor Vehicle Purchase Loan - A maximum loan of \$85,000 at a rate of interest of 6% per annum repayable over a period of six (6) years.
- (ii) Travelling Allowance - An Upkeep Allowance of \$1,000 per month plus a Kilometric Allowance of \$1.00 per kilometre.
- (iii) Insurance Premium Loan - A loan to cover the cost of Motor Vehicle Insurance premium at a rate of interest of 6% per annum.
- (iv) Repair Loan - A maximum loan of \$15,000 at a rate of interest of 6% per annum to effect repairs to a motor vehicle.
- Subsistence Allowance** - \$66 per day in Trinidad and \$72 per day in Tobago under circumstances specified in the Travelling Allowances Regulations.
- Vacation Leave** - 1-10 years service - 28 working days.
Over 10 years - 35 working days.
- Pension/Gratuity** - Entitlement to superannuation benefits in accordance with the provisions of the Pensions Act, Chap. 23:52.

Recommendations

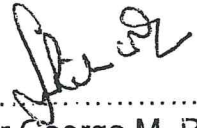
22. Our discussions with the Commissioner of Inland Revenue and Chairman of the Board confirmed our finding that there are differences in the scope and function of the offices of Commissioner and Assistant Commissioner. There is, however, some similarity in the complexity of the work performed by the two groups of office holders in managing the matrix of tax laws. Moreover, the reform thrust and the changes in the functions of the Division over the years have caused a significant expansion in the scope of work of Assistant Commissioners. In the circumstances, we are of the view that an improved compensation package for Assistant Commissioners is warranted.

23. We therefore recommend that the office of Assistant Commissioner of Inland Revenue be remunerated in Group C of the Top Managers in the Public Service grouping at a salary level of \$12,000 per month. Details of the recommended compensation package are set out in the Appendix.

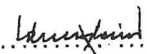
Effective Date

24. We further recommend that the effective date of implementation should be December 1, 2001.


Dated this^{27th}..... day of November, 2001.



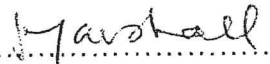
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Professor George M. Richards



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Edward Collier



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Keith Ortiz



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Joyce Marshall

**RECOMMENDED REMUNERATION ARRANGEMENTS FOR THE
OFFICE OF ASSISTANT COMMISSIONER OF INLAND REVENUE**

Salary	\$12,000 per month
Cost of Living Allowance	Existing allowance of \$55 per month to be discontinued.
Transport Facilities	
(i) Motor Vehicle Purchase Loan	A maximum loan of \$85,000 at a rate of interest of 6% per annum repayable over a period of six (6) years to facilitate the purchase of either:- <ul style="list-style-type: none"> (a) a new motor vehicle with exemption from Motor Vehicle Tax limited to the amount payable on a vehicle with an engine capacity of 1799cc and exemption from Value Added Tax limited to the amount payable on a vehicle costing \$85,000; or (b) a used motor vehicle with exemption from Special Registration Fee or Special Motor Vehicles Tax (whichever is applicable) to a maximum of \$7,196 and exemption from Value Added Tax limited to the amount payable on a vehicle costing \$85,000.
(ii) Insurance Premium Loan	A loan to cover the cost of Motor Vehicle Insurance premium at a rate of interest of 6% per annum.
(iii) Repair Loan	A maximum loan of \$10,000 at a rate of interest of 6% per annum to effect repairs to a motor vehicle.
(iv) Transportation Allowance	A Transportation Allowance of \$1,400 per month.
Subsistence Allowance	(i) \$60 per day when travelling on official business beyond a radius of sixteen (16) kilometres from official headquarters and when in Tobago, \$75 per day.

(ii) For travel abroad on official business, US \$50 per day.

Vacation Leave

Thirty (30) calendar days per annum.

Telephone

The cost of telephone rental and other charges, including Value Added Tax, related to official business to be met by the State.

Medical Benefits

Entitlement to medical attention/treatment, and prescribed drugs at any health care facility under the Regional Health Authorities, including the Eric Williams Medical Sciences Complex. Where such medical attention/treatment is not available at such health care facility, the office holder is required to seek approval from the Permanent Secretary in the Ministry of Finance to have costs met at any other hospital, institution or nursing home in Trinidad and Tobago.

('Medical attention/treatment' excludes optical and dental treatment/ services. 'Prescribed drugs' excludes drugs which are obtainable without a prescription).

Pension/Gratuity

Entitlement to superannuation benefits in accordance with the provisions of the Pensions Act, Chap. 23:52.