

Strategic Plan

Customs and Tax Administration Federated States of Micronesia

2020 - 2022



Foreword from the Secretary of Finance and Administration**Eugene Amor, Secretary**

On behalf of the Customs and Tax Administration (CTA) and the Department of Finance and Administration, it gives me great pleasure to present our first Strategic Plan which will cover the period 2020-2022.

The FSM's ability to generate sufficient tax revenues to fund public expenditure is largely dependent on a modern tax administration geared to, and capable of, collecting the optimum amount of taxes payable. This can only be achieved with a substantial modernization investment in the CTA, with emphasis on improving management, implementing a revenue management system, improving the Customs IT system, improving our risk management capability, enhancing staff capacity, and improving on taxpayer perceptions of the organization, whilst at the same time looking to improve the mix and collection of taxes.

To deliver its goals in line with Government expectations and our National Sustainable Development Goal 16 of building effective, accountable and inclusive institutions at all levels, the Customs and Tax Administration (CTA) has developed a strategic plan which will represent the cornerstone of its modernization activities. The plan will ensure that the CTA evolves into

an organization that can sustain high compliance levels, constantly improve its services, educate the public on their obligations, and detect and deter non-compliance.



Eugene Amor
Secretary of Finance
April 2, 2020

Message from the Assistant Secretary of Customs and Tax Administration



Salvador Jacob, Assistant Secretary

Within our new strategy, we will concentrate on the following objectives:

General objectives:

- Improving compliance management with emphasis on recently introduced compliance improvement strategies that will improve our on-time return filing and payment ratios
- Maintaining improved levels of compliance by engaging and communicating with taxpayers
- Protecting the FSM's borders
- Facilitating trade and travel to and from the FSM

Management objectives:

- Implement a new Revenue Management System for taxpayer registration, processing tax returns, payment processing, revenue accounting, and debt and return management
- Implement a new Customs automated system to receive and process import entries electronically
- Build headquarters capability by increasing staff numbers and capacity to strengthen design and monitoring capability
- Expand training for all CTA staff in core tax functions
- Set up a revenue reporting system covering all core tax functions

- Promote the introduction of modern and efficient taxes into the FSM

Operational objectives:

- Continue to build on successes achieved by adopting a Compliance Risk Management approach
- Improve the integrity of the tax register prior to and post automation
- Expand taxpayer services initiatives
- Improving filing and payment statistics
- Continue to develop and update the Compliance Plan
- Ensure that the largest taxpayers comply with their tax obligations
- Ensure that the Revenue Management System is successfully implemented with the appropriate training, and staff are reorganized to fully utilize its benefits
- Improve Customs operations within the Post Offices environment
- Ensure that undeclared imports and smuggling is detected at the ports
- Implement any tax or Customs legislation changes effectively
- Improve Customs intelligence capability to improve FSM border security

Under this umbrella, our three-year strategy will guide us in improving the overall performance of the CTA, whilst at the same time allow us to focus on operational areas which have the potential to collect more revenues.



Salvador Jacob

Assistant Secretary of Finance and Administration

April 3, 2020

1. Introduction

This document sets out the CTA's strategic plan and provides a context for the future development of the organization. It describes the present operational environment and current barriers that stand in our way and restrict our ability to operate as a truly modern tax administration. These weaknesses will be addressed and provide a solid base from which more comprehensive tax reform can be made.

2. Foundation Statements

- **Our Vision**

A modernized Customs and tax administration delivering excellence in revenue collection, border protection, and trade facilitation.

- **Our Mission**

The CTA collects levies and taxes that enable the Government to provide public services to its citizens, with a consistent focus on maximizing revenue and reducing the tax gap, whilst also providing border security and facilitating trade.

- **Our Values will be guided by the following:**

- Integrity and professionalism
- Accountability
- High service level standards
- Understanding our customers and helping them to comply

3. Current Environment

Internal Environment

Without the right support in place, the CTA will not be well positioned to succeed in implementing any broader tax reform. The following issues are critical and are being addressed, or will need to be addressed, in the future, along with any decision to reform the current tax system.

- **Information technology** – the CTA’s IT capability is very weak and does not serve the needs of revenue administration. A new Revenue Management System (RMS) and Customs IT system are key to a successful reform.
- **Funding** – the CTA’s current funding will restrict its ability to reform.
- **Staff capability** – there is a gap in staff capacity and capability, which can only partially be addressed through training.
- **Structure** – the current structure needs to be modified and strengthened to facilitate the change in processes necessary when the Revenue Management System is implemented, and to modernize the CTA.

4. External Environment

The external environment includes a number of important components.

- **Political decisions to implement reform** – decisions on reform will make a clearer picture of the future for the CTA.
- **Donor support** – further donor assistance will be needed to implement more comprehensive policy reform.

5. General Objectives

Our general objectives will focus on:

- (1) Improving compliance management with emphasis on recently introduced compliance improvement strategies
- (2) Maintaining improved levels of compliance by engaging and communicating with taxpayers
- (3) Protecting FSM’s borders
- (4) Facilitating trade and travel to and from the FSM

These objectives take into account the current constraints in the organization.

6. Our management objectives will be to

- (1) Successfully implement the new tax and Customs automated systems over these years

- (2) Build headquarters capability by increasing staff numbers to strengthen design and monitoring capability
- (3) Expand training for all CTA staff
- (4) Improve the management reporting system
- (5) Promote and implement tax and Customs legislative improvements

7. Operational objectives will be to

- (a) Continue to build on successes achieved by adopting a Compliance Risk Management approach
- (b) Improve the integrity of the tax register prior to and after automation
- (c) Expand taxpayer services initiatives
- (d) Improve filing and payment statistics
- (e) Update and improve the Compliance Plan and other operational plans
- (f) Ensure that the largest taxpayers comply with their tax obligations
- (g) Improve our border security through operational changes and the use of technology
- (h) Improve our Customs intelligence and investigative capability
- (i) Improve trade facilitation through streamlining our Customs processes, and progressing towards a 'trade single-window' concept at the border

Conclusion

This strategy highlights new operational initiatives in a plan which will improve the current performance of the organization and will put in place better processes to manage compliance through improved people capability, new IT systems and technology, and more effective use of data.

Customs and Tax Administration Operational Plan 2020 – 2022			
Objective	Outcome	Indicators	Performance Measures
Strengthen Revenue Administration management and governance arrangements	Compliance better managed through effective risk management	Continuation of the Compliance Improvement Strategy	<ul style="list-style-type: none"> Compliance Plan in place and monitored and updated regularly
Objectives	Outcome	Indicators	Performance Measures
Strengthen Core Tax Administration Functions	Integrity of the registered taxpayer base strengthened	<ul style="list-style-type: none"> Accurate and reliable taxpayer information 	<ul style="list-style-type: none"> The taxpayer data base is maintained and regularly updated gross government and agency. Improve process enable improve registration values
	Taxpayer Services initiatives to support voluntary compliance strengthened	<ul style="list-style-type: none"> Accessibility of information to taxpayers improves over time Service standards in place and monitored Taxpayer perceptions of service monitored and improve over time 	<ul style="list-style-type: none"> Taxpayer information designed and distributed Services standards designed for (a) dealing with correspondence; and (b) number of taxpayer interventions (seminars etc.) Improve service and advice for those newly registered.

	Larger proportion of taxpayers meet their filing obligations as required by the law	<ul style="list-style-type: none"> On-time filing improves over time 	<ul style="list-style-type: none"> On-time filing improves by 10 percent per annum
	Larger proportion of taxpayers meet their payment obligations as required by law	<ul style="list-style-type: none"> On time payment improves over time 	<ul style="list-style-type: none"> On-time payment improves by 10 percent per annum
	Audit and other verification programs more effectively ensure completeness and accuracy of reporting	<ul style="list-style-type: none"> Accuracy of reporting improves over time 	<ul style="list-style-type: none"> Compliance and Audit plans designed, implemented and monitored which include both tax and Customs functions
Objectives	Outcome	Indicators	Performance Measures
Major Corporation Compliance	Large taxpayers comply with the tax obligations	<ul style="list-style-type: none"> Compliance improves over time 	<ul style="list-style-type: none"> Develop a strategy to deal with the largest taxpayers to ensure high compliance rates and monitor monthly performance
Objectives	Outcome	Indicators	Performance Measures

Improve Customs Capability	Improved border security	<ul style="list-style-type: none"> • Borders managed effectively with risks identified and appropriate operational responses implemented • Customs intelligence and investigative functions are improved 	<ul style="list-style-type: none"> • Under-declared, non-declared and illegal goods imported are detected and appropriate actions taken • National and regional network developed for exchange of information • Risk based Post Clearance audits are being selected and conducted using Customs intelligence database as a significant information source
Improve trade facilitation	Lessen bureaucracy and barriers to trade	<ul style="list-style-type: none"> • Customs compliance becomes less burdensome • Trade requirements become easier, faster, and harmonized (where possible) 	<ul style="list-style-type: none"> • Customs entries and payments are made easier via automation • The time to release imports is lessened • Opportunities to create a trade single window(s) to reduce compliance time and costs are taken