

Belize

Department of General Sales Tax

Corporate Strategic Business Plan

2009 to 2012

Message from the Minister

National reconstruction, reform and innovation are at the core of the vision that my government holds for our country. Economic rescue and social and moral renewal are at the foundation of what we have set out to achieve. We face difficult economic times that we have only begun to address—with the clear hope and ambition of a better life for all citizens of Belize.

The importance I place on the contribution of the Department of General Sales Tax (DGST) and all its tax administrators cannot be overstated. We rely on them for the effective and efficient administration of a tax system that is fair and balanced. They contribute a significant portion of the overall revenues of government that are then invested in ways to benefit us all. We trust that they will ensure that we all meet our obligations under the law and that they will actively pursue those that do not. They help us to create the fiscal space needed to respond to our economic and social needs and to allow the government to invest in human, social and physical capital.

This is the first articulation of a corporate strategic business plan for the Department. It represents a wide-reaching effort to consider what needs to be addressed now and the best possible direction for future success. It will require the full attention and commitment of officials in the Department as well as the commitment of government to provide them with the resources they need, to the extent that we are able.

The plan sets out a clear program of delivery for the DGST. I am confident that through this program we are building a solid foundation of sustainable performance and a modern GST administration that will serve future generations and us with professionalism and integrity.

1. Introduction

This first Corporate Strategic Business Plan (CSBP) sets out the broad strategy and plans of the Department of General Sales Tax (DGST) for the period 2009 through 2012 as well as a series of specific initiatives for the coming 12 to 18 months. These initiatives are captured in a series of action and implementation plans.

Past approaches to planning in the department have been based on initiatives, projects and tasks. This CSBP is different from these past efforts. It has been built with a strategic focus, taking in to consideration the political and economic environment, regional and international trends and the ability of the Department to lead and deliver on the initiatives contained therein.

Before presenting the CSBP in some detail, this paper describes the mandate of the Department and reviews the environment, including an assessment of the strengths, weaknesses, opportunities and threats facing the Department through the planning period. It then provides a strategic overview before presenting the core of the CSBP.

2. Mandate of the DGST

The Department administers the General Sales Tax (GST) that was introduced on 1st July 2006 under the GST Act 49 of 2005 (replacing the former Sales Tax). To this end, the Department registers persons, processes returns, issues notices of assessment and refunds, collects revenue and monitors taxpayer activity to ensure compliance with the law. The Department is led by a Commissioner, who reports to the Financial Secretary within the Ministry of Finance. While the Department has a limited amount of autonomy, it does manage its own human resources and finances and is responsible for its own IT systems.

The Commissioner plays a key role in advising the Ministry of Finance on technical issues and is also charged with the development and implementation of sound plans to see that the vision and mission of the Department are achieved.

3. The environment

a. The political context

Elections held in February 2008 saw a change in government after 10 years of rule by the People's United Party. The new government, led by the United Democratic Party, has declared an agenda of national reconstruction and with a clear election platform - to lower taxes, reduce the cost of living and widen the social safety net. The government plans to seek development assistance to make critical investments in infrastructure and create employment opportunities for its citizens.

Support is promised to the public service, recognizing that public officers are the backbone of good governance. The new government is also committed to the strengthening of the legal and regulatory framework and to providing the requisite oversight and support to the tax administration.

b. The economy

GST collection represents 50 % of total tax revenue on an annual basis (with over half of this collected by customs on imports to Belize). The GST accounts for 5 % of the overall tax to GDP ratio of 19 %.¹ It is clear from this that the revenue collected by the Department is significant and makes an important contribution to economic stability for Belize.

The most recent IMF Article IV² consultation noted that economic performance weakened in 2007, largely due to the impact of Hurricane Dean on agricultural output and tourism, partial closure of a garment factory, a bankruptcy in aquaculture and an expected leveling off of oil production. The Fund recommended a primary surplus rate of 3.5 % - to be achieved through raising taxes or expenditure restraint equivalent to 2 % of GDP.

Also mentioned were ongoing reforms in revenue administration to streamline organization and strengthen management capacity. More efficiency is expected from revenue administration and tax collection. Government will be looking for better results and likely with close to the same resources invested. Against a backdrop of a weak economy, the Department may be confronted with a shifting compliance picture created by businesses struggling to survive.

c. External factors

There are a number of external factors that need to be considered. Globalization and regional integration, either through the WTO, CARICOM or other regional free trade arrangements will have far-reaching implications for the Department. CARICOM, through the CSME initiative, seeks to create one large open market with better opportunities to produce and sell goods and services and to attract investment. The consequences for tax administration are clear as business and investment become more integrated and as many transactions are handled electronically. Ongoing discussions about tax harmonization in the region may be part of the solution but in the meantime, national tax administration will become more complex.

Given the opportunities presented by these economic and trade shifts, more taxpayers may seek to remain in or migrate to the underground economy. Sophisticated tax planning leading to tax evasion and avoidance may become more prevalent.

¹ It should be noted that Belize has a relatively low tax-to-GDP ration in the region at 19.08 in 2005, when compared to Jamaica at 27.4 and Trinidad at 30.8.

² IMF- Article IV consultation staff report. March 2008.

Finally, the public's perception of government in general (and their level of integrity) can influence taxpayer willingness to pay as can perceptions of the fairness of the tax system in general. Little work has been done to date to test taxpayer perceptions about fairness but the election of the new government may create an opportunity for some work to begin.

d. Internal factors

There are a number of internal factors that will influence the success of this CSBP. The Department is serious and committed in its intent to deliver the range of initiatives contained in this plan. However, the Department is allocated limited resources to achieve not only its ongoing daily operations but to launch a significant program of reforms and improvements as contained in this CSBP. For example, two incoming telephone lines are clearly inadequate for taxpayer service. As part of the ongoing exercise, an assessment should be undertaken of the impact of this low allocation on collections and audit and the benefit to be gained from additional investment.

The Department has been plagued by limited IT support for some time. The system itself, SIGTAS, is seemingly unable to produce needed management reports that are essential to the effective administration of taxes. This situation is further exacerbated by the absence of in-house IT support based in Belize City. Rather, the Department relies on support from Belmopan that despite the best efforts of the officers involved is inadequate.

It must also be stated that this is the first CSBP and the first year in a planning cycle. There will be many things that will need to be worked through and it will not be surprising if not all initiatives are fully delivered at the end of the first 12-18 month cycle. This is to be expected and is part of the learning and development process. Further, a next step in the development of the CSBP will be a detailed costing of the initiatives included in the action and implementation plans, with some indication of what would be funded by government and initiatives where donor funding would be sought. The initiatives contained in the CSBP go well beyond the current operational delivery budget of the DGST. Depending on resource availability, the scope of the plan may have to be adjusted and priorities considered.

e. Environmental scan

The department undertook its own analysis to identify its strengths, weaknesses, opportunities and threats and the results are shown below. There are also plans underway to hold focus groups with different taxpayer groups to validate the department's understanding of its own position, of areas where taxpayers expect more in the way of service, programs or information and of future innovations that are the most important to taxpayers. In many cases these will be held jointly with the Income Tax Department (ITD) and possibly Customs and Excise Department.

Table1: DGST SWOT analysis

<p>Strengths</p> <ul style="list-style-type: none"> ○ Knowledgeable staff ○ Effective publicity program ○ Computerization (hardware) ○ Good public image ○ Well-defined organizational structure 	<p>Weaknesses</p> <ul style="list-style-type: none"> ○ Lack of resources ○ IT system (software) ○ Communication flow ○ Inadequate transport allowance ○ Resistance to change
<p>Opportunities</p> <ul style="list-style-type: none"> ○ Increased tax base ○ Technical assistance ○ CSME (Direct investment/trade) ○ Globalization ○ Potential synergies with interrelated agencies 	<p>Threats</p> <ul style="list-style-type: none"> ○ Political/economical instability ○ Political interference/intervention ○ Natural disasters ○ Non – compliance ○ Budgetary constraints ○ CSME ○ Poor relationship with other revenue agencies

4. Strategic overview

a. Vision

To achieve international recognition as the most qualified tax administration in the Caribbean region by continuously surpassing set targets of accomplishment through increased voluntary compliance.

b. Mission

The DGST will provide professional and efficient customer service to establish the highest level of voluntary compliance to maximize revenue collection.

c. Values and principles

Effective tax administration rests on the fundamental notion that taxes are collected fairly and indiscriminately for the overall economic and social benefit of the citizens of the country. The citizens of Belize have the right to expect a high degree of integrity in the administration of the GST and expect a tax system that is fair and responsive to their needs and that encourages all to pay their due share. The public must trust that administration of the GST will be fair and firm and handled with the utmost professionalism and integrity. The following values and principles underpin the actions of not only the department but of each and every official in its employ.

Responsiveness: providing accurate, timely quality service—with an emphasis on a proactive versus reactive approach.

Transparency: sharing of all information in an open manner to external and internal stakeholders.

Integrity: continually demonstrating high moral and ethical behavior while upholding the rule of law (truthful, mutual respect, fair, honest, open, trust, professional performance).

Efficiency: using resources in a timely, cost effective manner to maximize results in the delivery of service and information.

Professionalism: acting with dedication and skill and in a manner that fully abides by professional standards and rules.

Accountability: taking responsibility for its actions.

Quality Service: identifying service standards and strive to provide quality service.

Mutual respect: treating all taxpayers with courtesy and respect in all dealings, while expecting that this will be reciprocal.

d. Compliance approach

The main aim of any compliance approach is to increase the level of taxpayer compliance with their obligations. Education, service and enforcement make up the key elements of our approach. In terms of education, the Department has done extensive work to help taxpayers understand their obligations and what they need to do to comply.

In terms of service, the Department continues to provide hands-on assistance and will seek to increase accessibility and responsiveness to taxpayers. Highlighting this focus, a customer service charter was recently launched that outlines taxpayers rights and obligations, what can be expected from the Department, service standards and how to make contact.

In terms of enforcement, taxpayer behavior generally varies from compliance to “accidental” non-compliance to gross evasion and this is largely true in Belize. The Department responds to each type of behavior differently and sanctions must be appropriate to the offence.

In its first two years of operation, the experience of the Department has been generally positive in terms of the willingness of taxpayers to understand their obligations and to meet these obligations in accordance with the law and regulations. The emphasis of the Department has to date been placed strongly on education and service with audit visits seen as an occasion to further the education process. The time may be approaching for the focus on education to be actively supported by more targeted enforcement, with a review of the penalty structure to determine its appropriateness. This may also lead to some segmentation of the taxpayer population, with different and more sophisticated audit approaches developed for the largest of taxpayers, for example.

5. Corporate Strategic Business Plan—2009 to 2012

The CSBP that has been developed by the GST department extends over a three year period. The plan identifies a series of strategic goals: (1) revenue collection; (2) audit and compliance; (3) taxpayer service; (4) management; and (5) information technology. A full description of each goal and the related objectives follows in Box 2. These objectives target a 12 to 18 month timeline and represent the key aspects of the Department’s modernization or change agenda. A detailed implementation plan is presented in annex (in MS Project).

Box 2. DGST CSBP- SUMMARY

I. REVENUE COLLECTION— enhancing processes to maximize revenue collection.

- a. Undertake a revenue analysis to establish accuracy of set targets.
- b. Decrease arrears through targeted enforcement.
- c. Increase filing compliance to over 90 %.
- d. Expand the option of payment and filing online to an additional three banks.
- e. Explore format for monthly reporting of revenue with MOF

II. AUDIT AND COMPLIANCE—enhancing the effectiveness of the enforcement program to ensure compliance with GST legislation.

- a. Further develop the national audit plan.
- b. Develop risk management tools to support audit case selection.
- c. Explore different audit approaches, including audit agreements.
- d. Establish reasonable audit coverage rate.
- e. Improve audit performance reporting.
- f. Pursue capacity building for staff.

III. TAXPAYER SERVICE—improving and providing service and education in the pursuit of voluntary compliance.

- a. Maximize quality service.
- b. Assure an accurate taxpayer register.
- c. Develop program to improve external communication.
- d. Develop capacity to measure and report on service inquiries.
- e. Ensure availability of information to the public.
- f. Develop pilot for one-stop shop with ITD.

IV. MANAGEMENT—strengthening management to support improved program delivery.

- a. Strengthen capacity through training, networking, exchanges and deployments/
- b. Effectively manage financial resources, including identification of needs, budget allocation and expenditure analysis.
- c. Develop a code of conduct for DGST.
- d. Develop a program to enhance internal communication.
- e. Pursue a closer working relationship with ITD & Customs.
- f. Establish a steering committee to manage the corporate strategic business plan.
- g. Strengthen administration and procurement.
- h. Foster an environment of recognition and appreciation.

V. IT—optimizing IT to enhance program delivery and reporting.

- a. Explore available options.
- b. Incorporate needed reports.
- c. Determine resource requirements e.g. staffing, training, budget and maintenance.
- d. Determine and implement the most appropriate IT solution

For each goal, the following high- level results and outputs for 2009/10 have also been articulated.

Table 2. High level results and expected outputs 2009/10

Goal	Expected result
I. REVENUE COLLECTION - enhancing processes to maximize revenue collection	Arrears are resolved in a timely manner and maintained within targeted levels and non-compliance is detected and addressed.
Expected outputs 2009/10: <ol style="list-style-type: none"> 1. Collection targets set with DGST input 2. Arrears inventory reduced by 5 % per annum 3. Filing compliance increased to over 90 %. 4. Additional banks involved in online filing and payment. 5. Revenue reporting standardized 	
II. AUDIT & COMPLIANCE- enhancing the effectiveness of the enforcement program to ensure compliance with GST legislation	Proactive approach developed to countering evasion and avoidance and non-compliance is detected and addressed.
Expected outputs 2009/10: <ol style="list-style-type: none"> 1. Improved national audit plan developed and implemented. 2. Risk management tools developed and in place. 3. Different audit approaches considered and possibly implemented. 4. Audit performance reporting in place and used. 5. Capacity building program for audit team developed and in place. 	
III. TAXPAYER SERVICE- improving and providing service and education in the pursuit of voluntary compliance	Taxpayers receive timely, accurate, well-targeted and accessible information
Expected outputs 2009/10: <ol style="list-style-type: none"> 1. Key processes streamlined. 2. Taxpayer register validated and accurate and process in place to maintain accuracy. 3. Advisory Committee proposal accepted and ready for implementation. 4. Needed information available to the public. 5. Single stop pilot ready for expansion to other locations. 	
IV. MANAGEMENT- strengthening management of the department to support improved program delivery.	Administrative efficiencies and enhancements resulting in a professional workforce appropriately equipped to serve taxpayers with integrity and respect.
Expected outputs 2009/10: <ol style="list-style-type: none"> 1. New training and capacity building plan in place. 2. Successful result from resource allocation exercise for CSBP implementation. 3. DGST Code of Conduct developed, all officers briefed and engaged. 4. New approaches to internal communications developed. 5. Joint initiatives with ITD and Customs underway and managed at a senior level. 6. Steering Committee in place to oversee CSBP implementation. 7. Administrative manual prepared and implemented. 8. Recognition program and incentive developed and implemented. 	
V. IT- optimizing IT to enhance program delivery and reporting.	Enhanced processes that improve quality delivery of service and ability to ensure compliance.
Expected outputs 2009/10: <ol style="list-style-type: none"> 1. New IT system decision made and implementation underway. 2. Needed management reports generated by new system. 3. Funding secured for implementation (including needed staff and budget and maintenance). 	

More specific performance indicators are included in an annex to the CSBP. It must be said that at this point in time, the ability of the Department to measure performance through a series of indicators is quite limited. This is due in large part to the weak performance of SIGTAS and its inability to generate the needed management reports. Progress on information system solutions would have an immediate positive impact in this important area.

Finally, the Department has articulated a longer-term vision for each of the goals as illustrated in Box 3.

Box 3. Three year planning horizon

Goal	Three year planning horizon
I. Revenue collection	<ul style="list-style-type: none"> ✓ Pursue e-filing and e-payment options. ✓ Pursue single filing of GST and business tax. ✓ Analyze past performance on appeals and dispute resolution. ✓ Create a revenue analysis and forecasting function. ✓ Develop analysis of revenue impact of increased resources in collection/audit.
II. Audit and compliance	<ul style="list-style-type: none"> ✓ Specialization of audit teams ✓ Development of an approach to large business audit ✓ Increased frequency of joint audits with Customs and ITD ✓ Development of closer work with Customs and ITD on risk management and profiling.
III. Taxpayer service	<ul style="list-style-type: none"> ✓ Simplify core tax administration processes e.g. registration. ✓ Establish revenue information centers.
IV. Management	<ul style="list-style-type: none"> ✓ Seek integration of tax administration into a single tax department. ✓ Establish working relationships with other agencies e.g. Business Registry, Belize Tourism Board, local government agencies. ✓ Explore an incentive program based on percentage of revenue collected. ✓ Develop capacity to present operational performance reporting in annual corporate strategic business plan.
V. Information technology	<ul style="list-style-type: none"> ✓ System that permits regional networking between tax administrations ✓ System that allows exchange between different systems e.g. ASYCUDA ✓ Integrated system to support closer working between departments and eventual institutional integration. ✓ In-house IT support, with less reliance on DBA in Belmopan.

6. Conclusion by the Commissioner

We are proud of the achievements in our first three years of administration of the GST. We have succeeded in implementing this new tax with professionalism and an underlying concern that taxpayers needed to know how to comply with the law. This is supported by the belief that the majority of citizens would choose to comply and that our job was to help them in this effort. For those who chose a different path, our responsibility was and is to uncover evasion and ensure that everyone paid what is due and owing.

This CSBP represents a crossroads in our development and a point of reflection for those of us involved in tax administration. We have reflected on what has gone well, tried to learn from what has not and worked to set out a path for the future built on the twin objectives of quality service and targeted enforcement.

This plan sets out a series of bold initiatives that will take the Department of General Sales Tax and staff to the next phase of our professional development as an organization and as professionals in the public service of Belize. With the support of the Minister and Financial Secretary, we in the Department are all committed to the successful implementation of the plan. Further, we commit to you that all our efforts will be directed to achieving the goals set out in this plan with honesty, integrity and professionalism.

Annex

DGST- Possible performance indicators by strategic goal

1. Revenue collection

- Number of returns received
- Number of non-filers- gross and by taxpayer size
- Time for processing returns
- Number and value of refund claims received and approved
- Time for processing refunds
- Total value of arrears
- Collections cases closed
- Average age of collection cases

2. Audit and compliance

- Total number of audits
- Number of audits resulting in reassessment
- Additional revenue assessed
- Audits by type
- Average length of audit

3. Taxpayer service

- Number of taxpayers assisted by channel e.g. telephone, walk-in, mail
- Average waiting time
- Accuracy of response
- Accuracy of taxpayer register

4. Management

- Retention rate
- Number of discipline cases
- Expenditure against budget
- Number of joint initiatives with ITD and Customs

5. Information technology

- System downtime
- User feedback
- Management reports generated.