

Strategic Plan

Customs and Tax Administration

Federated States of Micronesia



2024 - 2027

Foreword from the Secretary of Finance and Administration



Rose N. Nakanaga, 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 Strategic Plan which will cover the period 2024-2027.

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, enhancing the new 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.

A handwritten signature in black ink, appearing to read 'Rose N. Nakanaga', written in a cursive style.

Rose N. Nakanaga
Secretary of Finance

October 3, 2024

Message from the Assistant Secretary of Customs and Tax Administration



Randy Sue, 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

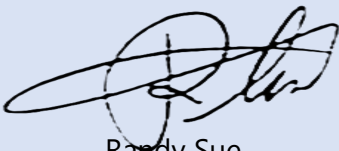
Management objectives:

- Implementation of the new Revenue Management System for taxpayer registration, processing tax returns, payment processing, revenue accounting, case management, and debt and return management
- Further enhance the new Customs automated management system (ASYCUDAWorld) to receive payments electronically and improve reporting
- Improve the capability of staff by increasing educational and experience recruitment requirements
- Improve the capability of staff by encouraging further training for all CTA staff in their core functions
- Promote the introduction of modern and efficient taxes into the FSM (tax reform)
- Update the Customs legislation to ensure it complies with best practice

Operational objectives:

- Continue to build on successes achieved by enhancing our Compliance Risk Management capability
- 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 staff training, so we 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
- Further 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 allowing us to focus on operational areas which have the potential to collect more revenue.



Randy Sue

Assistant Secretary of Finance and Administration

October 3, 2024

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**

Provide importers and taxpayers with a timely quality service and helping them understand and meet their tax and duty obligations, whilst enforcing the law with integrity and fairness and providing effective 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 needs improving and only partially meets the needs of revenue administration. The new Revenue Management System (RMS) and ASYCUDA enhancements are key to a successful reform.

- **Funding** – the CTA’s current funding will restrict its ability to implement tax reform.
- **Staff capability** – there is a gap in staff capacity and capability, which can only partially be addressed through training.
- **Structure** – the current structure has recently been modified. The structure will need to be reviewed again after the RMS and ASYCUDA are fully operational to ensure it is fully operationally effective.

4. External Environment

The external environment includes several 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 consider the current constraints in the organization.

6. Our management objectives will be to

- (1) Continue to successfully implement the new tax and Customs automated systems over these years
- (2) Build headquarters capability by increasing staff training and strengthening 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 enhanced 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 2024 – 2027			
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 registration database is maintained and regularly cleansed updated. Improve process enabling improved registration details
	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 education information designed and distributed Taxpayer’s registration, returns, and payments information available to them online 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

<p>Improve Customs Capability</p>	<p>Improved border security</p>	<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 ASYCUDA and the Customs intelligence database as a significant information sources
<p>Improve trade facilitation</p>	<p>Lessen bureaucracy and barriers to trade</p>	<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