Regional tax authorities – Embracing change

By David Prestwich
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The last few years have seen an ever increasing pressure on revenue authorities to do more on a number of fronts. This article examines some of the pressures (both national and international) that the Caribbean authorities face and their responses.

National pressures

As globalization has continued apace in the early 21st Century, people’s lives in this region have been transformed by the digital revolution which has changed how they buy goods and services and how they interact with family and friends. This change has also impacted on how they think they should interact with government authorities, including in fulfilling their obligations to the tax authorities.

Many authorities in the region have made significant changes in the last few years to respond to these shifts, but it is clear that there is more to be done. Striking the right equilibrium between responding to taxpayers’ requirements for efficacy and speed, and their duty to ensure adequate scrutiny is, and will continue to be, a tricky balancing act.

Barbados is one example of an authority which is embracing the online revolution. In 2018, it is revamping completely its online system for tax returns to make it more user friendly and adaptive to taxpayer and their agents’ needs. The speed at which they intend to implement this change is breathtaking and requires all stakeholders to assist to ensure it is a success and perhaps becomes a model of how changes like this are implemented.

There is a realization that where taxpayers and their representatives can have access to information at their fingertips, there is likely to be less pressure on resources in the medium to long term, thus allowing authorities to become more efficient and stream lined organisations that can focus on activities that really add value. With budgets continually under pressure, this surely should be valuable end goal.

International focus

Tax transparency has been a recurring theme over the last 20 years, but it has really been in the last 5 that organisations have had to adapt to new obligations and standards. As this region is an increasing focus of examination, governments have realized that they need to not only react to imposed changes but be proactive in shaping changes so that they can argue for their interests.
Many governments in this region have joined the Inclusive Framework on BEPS (the OECD/G20 Base Erosion and Profit Shifting initiative) to ensure they have a say in how some of the changes to the tax landscape are developed and implemented. They must ensure they coordinate and work together as a region as often their individual small size will mean that they risk being ignored by more powerful jurisdictions. CARICOM would seem like a good forum for this synchronization, but even wider regional coordination with our neighbours in Central and South America would be beneficial. These regions often face the same problems of not being able to have their interests protected when these changes are being made at an international level.

It is clear, that not adapting to changes such as BEPS is not an option, so the next best thing is to ensure that the international financial sector in this region adapts and its concerns are heard at the highest levels.

Implementing these agreed changes is another challenge the administrative authorities face. It often requires internal processes to be carried out in a relatively short period of time, with very little recognition for individual countries’ parliamentary processes and the capacity for their revenue authorities to implement the changes. This is why it is so important that changes which are required to be made take into account the fact that many countries in the region will have varying resources to deal with their international obligations. Training of staff and digitalization will enable resources to be shifted to these more complex changes, but it is inevitable that in the short term they will struggle with the competing demands.

**The takeaway**

It is clear that the next couple of years will be more of the same for our regional authorities and that all stakeholders will have to be patient as teething problems emerge with new systems and processes. However, what is encouraging is that this region is clearly aiming to keep up with the trends and obligations arising in the international tax sphere, and this should help to ensure its financial sector continues to prosper.

**Let’s talk**

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