

## MARSHALL ISLANDS<sup>1</sup>

### ***Initiated Tax Reforms***

The Government of the Marshall Islands has recently initiated the following reform measures;

- Successfully conducted a nationwide business survey to (a) cite non-compliance businesses (b) update businesses' profile. and (c) conduct a dialogue with the business community on any concerns or clarification of the tax requirements. A plan is in place to undertake another comprehensive national survey early 2008 to update tax database as well as to determine businesses not registered in the national tax registry.
- Successfully installed a Tax Management Information System in an effort to modernize the tax administration and to improve enforcement on non-compliance businesses. Since the installation of the Tax Computerized System in 2005, sharing of information to strengthen compliance internally (Customs and Treasury Units) has increased. For instance, in 2007, non compliance to tax issues resulted in a party not receiving its imports from the Customs; checks from the government to that particular party will not be released without first addressing the tax issues with the Government.
- Strengthened the monitoring and administrative capacity on foreign businesses with active working relationship with the relevant agencies including Immigration, Labor and Police (Interpol); Being processed is a foreign Investment procedure guideline or procedure which is expected to be authorized by Secretary of Finance as a working guideline of the Division of Tax and Revenues particularly the Foreign Investment Division.
- Repealed exemption provisions on domestic import duties act that allow duty exemptions on importing goods purchased by the Government and SOEs. An act is in place that allows for increased penalty for violators.
- Through signed Memorandum of Agreement (MOA), established procedure for better coordination and flow/exchange of information with the local governments and other collecting agencies on common concerns and enforcement issues. Computerized System for better linking of information between the Ministry of Finance Tax Office with relevant Offices (Local Government of Majuro Atoll and Marshall Islands Social Security Administration is expected to be installed before the end of 2007.

### ***Present Tax Initiatives***

- A system provider is now in the process of installing a modernized Customs Management Information System which shall be linked to the Tax Management Information System. The Customs Computerized system will be installed before the end of 2007.
- Continue to strengthen the Tax Audit Office with increasing number of outfield works and businesses audited to ensure compliance. In July 2007, 2 staff were added to the Audit Unit. Since the installation in 2005, approximately \$1.5 million has been collected or to be collected resulting from non compliance with tax laws.
- Continue to focus on administrative capacity and upgrading regulation to better suit the changing and increasingly complex business environment. A Work Plan 2008 was approved by the Secretary of Finance in June 2007. The Work Plan will continue the work of strengthening compliance by instituting necessary policies, regulations and rules.
- Pursue with greater efforts domestic and regional issues. Currently in discussion with the Australian Tax Office for possible Tax Information Exchange Arrangement.

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