



## Major Change in Amount

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Project Number: 40102  
Technical Assistance Number: 4902  
November 2008

## TUV: Capacity Building for Taxation Reforms

## CURRENCY EQUIVALENTS

(as of 19 November 2008)

Currency Unit	–	Australian dollar (A\$)
A\$1.00	=	0.652
\$1.00	=	A\$1.53

## ABBREVIATIONS

ADB	–	Asian Development Bank
COSO	–	Central Operations Services Office
IT	–	information technology
TA	–	technical assistance

## NOTE

In this report, "\$" refers to US dollars.

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1. On 18 December 2006, the President approved \$300,000 in technical assistance (TA) to the Government of Tuvalu for Capacity Building for Taxation Reforms,<sup>1</sup> with an original closing date of 30 April 2008. The Central Operations Services Office (COSO) extended the closing date until 30 September 2008 during contract negotiations.

2. The TA aims to build the capacity of Tuvalu's tax administration to reform the taxation system within the broader improvements in the framework for revenue monitoring. The TA outputs include (i) taxation and customs reforms, and (ii) a framework for revenue monitoring.

3. The status of TA project implementation is summarized as follows:

- (i) Following TA inception in July 2007, a minor change in scope was approved to include customs in the proposed reforms, replacing the original third component of the TA, which was to examine tariff arrangements in two public enterprises (Tuvalu Telecommunications Corporation and the Tuvalu Electricity Corporation). The terms of reference of the team leader were revised accordingly.
- (ii) A legal drafter financed by the Pacific Islands Forum Secretariat drafted the amendments to the tax and customs laws, as well as the Tuvalu consumption tax legislation. Because of the limited support provided by the legal drafter and the International Monetary Fund-approved reviewer, the TA team assisted the Government in finalizing the bills for presentation to Parliament.
- (iii) Parliament passed the following three bills on first reading in the June 2008 session: (i) income tax amendments, (ii) customs tax amendments, and (iii) Tuvalu consumption tax legislation.
- (iv) The Government, with support from the TA team, conducted a series of public consultations with stakeholders, including the outer island communities in July 2008. The proposed taxation reforms received strong support from all stakeholders.
- (v) The revised legislation will be presented to Parliament for second and third readings in November 2008.
- (vi) Once the new pieces of legislation are passed by Parliament, it is envisaged that they will become effective for implementation from July 2009.
- (vii) The original TA budget allocated \$75,000 for the information technology (IT) component of the taxation system. However, the estimated cost of a comprehensive IT package is \$270,000, which exceeds the TA resources. The Government of Tuvalu requested ADB to identify cofinancing for such an IT taxation system, which the Government of Australia has agreed to provide through the Australian Agency for International Development. Installation of the system will start in January 2009.
- (viii) The current TA was originally scheduled to close on 30 September 2008. The Government requested continuing TA support to prepare for the implementation of the new legislation in July 2009. ADB will reallocate the \$75,000 originally allocated for equipment to provide continuing TA support to the Government.

4. The Government of Australia has offered to provide an additional grant equivalent to \$270,000 to finance (i) the proposed revenue management system, (ii) the customs system upgrade, and (iii) the refurbishment of the server room. ADB Management approved this minor change in the scope of the regional TA and the related total increase in the TA budget by

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<sup>1</sup> ADB. 2006. *Technical Assistance to Tuvalu for Capacity Building for Taxation Reforms*. Manila (approved on 22 December 2006; financed by the Japan Special Fund).

\$270,000 on 12 November 2008. The completion date of the TA has been extended from 30 September 2008 to 30 June 2009.

5. The Board is notified of this minor change in scope and the increase in TA amount by the equivalent of \$270,000, to be financed on a grant basis by the Government of Australia, and administered by ADB. After this increase, the TA amount will be \$623,000.