

REVENUE TASK FORCE



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Reflection

from the
Financial Centre
Association of Vanuatu

What is the Vanuatu International Finance Centre in 2020?



We are the Professional Services Industry

Banks, Insurers, Accountants, Auditors, Lawyers, Securities Brokers & Financial Dealers, Real Estate Brokers, Consulting Firms, Professional Advisors

Our members play a vital part in Vanuatu's economic health:

- By giving confidence to local investors and attracting Foreign Direct Investment
- By providing well-paid, high-quality employment and training opportunities
- By igniting growth opportunities and facilitating business transactions

FCA members are in direct communication daily with Vanuatu Government and institutions such as VFSC, FIU, RBV, VIPA, Rates & Taxes, Customs, Immigration, Labour, etc.

FACTS

We estimate that approximately 1,000 people are employed by FCAV members.

Nowadays, Offshore and Onshore business are more intertwined than ever before.

The **International business/Offshore business** sector is really important for the health of our economy, as it builds local expertise, investor trust, and public revenue. These are key drivers of development for any nation.

Offshore business makes up a significant portion of our members' activities, from 5% to 35%, as well as those of companies which are not members of the FCA.

How to raise more Revenue for Vanuatu Govt?

More business activity = More tax

More tax = Less business activity

Creating more wealth by **growing** the economy results in more Govt revenue without the need to increase taxes

Increasing taxes on existing wealth can bring more Govt revenue, but it also risks asphyxiating the economy and leading to slow or negative growth

REFLECTION

A **growing** economy creates wealth.

More wealth means more revenue for the government to use for public expenditures.

Only the private sector creates wealth, which makes it the engine of the economy.

The Government can help by promoting policies and legislation that are **business friendly**.

A business friendly environment indirectly translates into better education and healthcare services to the population, which in turn contribute to a business friendly environment.

The Government also has the power to negatively affect growth through fees, taxes and red tape that make doing business costlier and more difficult.

The time for action is now

Covid19 has gutted tourism which was our main economic growth driver.

We need diversity to be more resilient. Agriculture, Finance Centre, Construction...

Our government posted surplus for the past 3 years. Our debt is now at 39% of GDP.

As a developing nation, we can expect significant GDP growth over the coming years, making our current Debt-to-GDP ratio quite small.

In comparison: Debt-to-GDP is 237% in Japan, 109% in Singapore, 106% in the US, 117% in Barbados, 47% in Fiji (expected to rise to 80% after large deficits in 2020-21 due to Covid19)

Avenues to explore

Simplifying and/or removing unnecessary regulatory burden:

- Do we really need a Business License Act?
- Can we open up VIPA, Immigration, Labor, etc. to International Companies in addition to local companies?

Developing new industries such as Blockchain, Digital Assets, Distributed Ledger Technologies, E- Business, Stablecoins (Oxfam's Unblocked Cash project)

Investing in a significant overhaul of the legislation that regulates the IFC in order to strengthen it and foster growth, (ICs, Trusts, etc.)

Avenues to explore (cont.)

Improving the environment in order to be more business friendly?

Business Visa, Residency Visa, Digital Nomad Visa

E-government, digital identity, digitization of all public administration

Increasing market competition for the benefit of consumers:

- Not charging twice for the registration of a mortgage (2.1%)
- Modifying legislation (like Fiji for example) so lenders can execute more quickly their rights over a mortgage
- Etc.

Way Forward

The Revenue Task Force should work on Economic Development (growth), as this is the most sustainable way to raise Government Revenue

Every recommendation should consider the impact on GDP growth and the health of the economy

Some change is to be expected: Investment, planning, some reductions in fees or increases in expenditures might be needed to pave the way to more prosperity

HOW CAN WE STIMULATE GROWTH?

**HOW CAN WE STIMULATE INVESTMENT
FROM THE PRIVATE SECTOR?**

HOW CAN WE HELP OUR ECONOMY THRIVE?

Conclusion

Thank you

**I would like to have the opportunity to go deeper on these subjects
and to conduct a 5 minute presentation
at our weekly meeting.**



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