



GOVERNMENT OF TONGA

## **MEDIA RELEASE**

**(19 November, 2019)**

### **“Clarification on the Cabinet Decision to Write-Off uncollected debts at the Ministry of Revenue and Customs for the period of 2004-2014”**

This is to clarify the Cabinet’s decision made on the 17<sup>th</sup> of July 2019 to rescind its earlier decision made on 12<sup>th</sup> July 2019 to write off debts of unpaid tax and duties to the Ministry of Revenue and Customs for the period of 2004-2014, which was amounted to over \$11 million. To be noted, no debts has been written off.

The submission to write off the debts was submitted to Cabinet from the Minister for Revenue and Customs at the time. After it was approved on the 12<sup>th</sup> July, it was further reviewed by the Minister for Finance at the time because the cabinet decision was made in his absence, and identified that the proper process required by law to write off any debt was not followed.

Section 41 of the Public Finance Management Act stipulated that proposed debts to write off has to be submitted to the Secretary for Finance and the Minister for Finance to investigate the reasons that the debts cannot be paid. Once that investigation is completed, it is only the Minister for Finance and no one else, who will make recommendations to Cabinet whether the debt is to be written off or not.

Traditionally, when a submission to write off debts received by the Ministry of Finance, it referred them to the Auditor General’s Office to carry out the verifications of the reasons that these debts cannot be collected by the reporting agencies. The Auditor General reports back to the Minister of Finance his findings and the Minister of Finance reports to Cabinet as to whether the debt is to be written off or not.

This was the basis for the Cabinet decision on 17<sup>th</sup> of July to rescind the decision on 12<sup>th</sup> July to write off the debts because the submission from the Ministry of Revenue and Customs was not made through the Ministry of Finance, in accordance with the Act. On the same decision, the Cabinet directed the Minister of Revenue and Customs to submit the list of debts for tax and duties for 2004-2014 to the Ministry of Finance to conduct due process before submitting to Cabinet.

At present, the Ministry of Finance has yet to receive any submission from the Ministry of Revenue and Customs for any unpaid debts to write off as required by law.

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