Impact of Revenue Reform on Vulnerable Communities

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Abstract: This paper provides an overview of the impact of the revenue reform programme on vulnerable communities in the Kingdom of Tonga. Economic turmoil and mismanagement during the late 1990s forced the government to seek technical and financial assistance from the Asian Development Bank to undertake a comprehensive Economic and Public Sector Reform (EPSR) programme. The EPSR is a Western model recommended by donor agencies as the solution to Tonga’s economic challenges. The EPSR programme included public sector reform, private sector growth, and revenue generation. Tax reform was the main tool for revenue generation, which set out to strengthen tax compliance and administration as well as implement a value-added consumption tax. The EPSR is based on Western values and ideology but failed to recognise that Tongan cultural values are important to the local community. Two participant groups were interviewed. Participant group one consisted of 51 people representing vulnerable communities. Participant group two consisted of six people from the government and business sector who were from the elite of Tongan society. The Kakala Research Methodology provided the framework for the research, and the Talanoa Research Method was used to conduct semi-structured interviews in the homes of the first group and in the workplaces of the second group. The research found a heavy burden of the consumption tax on the purchasing power of participant group one (vulnerable participants), having an impact on nearly every financial transaction they made. Participant group ones’ main financial priorities were kavenga fakalotu (obligations to the church), kavenga fakafāmili (obligations to the family) and kavenga fakafonua (obligations to cultural events for the village, nobility, and royalty). The findings identified inequalities of the revenue reform, especially from consumption tax, for vulnerable people and communities compared to the elite of society. The research concluded that government and donor agencies need ameliorating policies to reduce the burden of tax on vulnerable groups more susceptible to the impact of revenue reform.

Keywords: tax reform, tonga vulnerable community revenue, revenue reform, public sector reform

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