

2006 ANNUAL REPORT



PROGRESS THROUGH PARTNERSHIP AND CHANGE



OUR VISION

To be the Premier Revenue Collection and Border Management Agency in the Region.

OUR MISSION

Collect Revenue
Enhance Community Protection
Facilitate Trade
Provide Quality Advice To Government

OUR VALUES

The principles by which FIRCA will operate are represented by the core values against which all actions will be measured. The values that have been agreed with the Senior Executives and Management of FIRCA are reflected in the following:

Quality

To provide services that meet measurable international standards and that reflect a commitment to continuous improvement;

Professionalism

Acting with integrity including that based on the ARUSHA Declaration in a technically competent manner, achieving targeted results and seeking personal responsibility;

Timeliness

A commitment to creating and meeting realistic deadlines;

Performance

Achieving mutually agreed objectives and standards that are linked to the overall objectives of FIRCA;

Service

Delivering services to our customers that meet, and where possible exceed their expectations;

Teamwork

Creating an environment that encourages co-operation and trust and where the staff is an important asset.

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LETTER TO THE MINISTER

FIJI ISLANDS REVENUE &
CUSTOMS AUTHORITY
PRIVATE MAIL BAG
SUVA, FIJI ISLANDS



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Mr. Mahendra Pal Chaudhry
Minister for Finance and National Planning
Level 10, Ro Lalabalavu House
Victoria Parade
Suva

Dear Minister,

The Board of the Fiji Islands Revenue and Customs Authority (FIRCA) is pleased to submit to you the Authority's 2006 Annual Report, pursuant to Section 44 of the FIRCA Act 1998.

This Report documents achievements of the progressive implementation of the 2006-2008 Corporate Plan. The Board and Management reviewed its strategic planning process in 2005, having a partnership approach by involving staff, and developed the Plan, which focused on the following Key Result Areas:

- Revenue Collection: We are responsible for collecting revenue to fund the National Budget
- Compliance: We are to ensure that our customers comply with the laws that the Authority administers
- Border Security: We facilitate trade and control movements at all our ports of entry and national borders
- Customer Service: We provide excellent customer service within the organisation and to our external customers.

Throughout the year, the Board continued to uphold the values of the organisation, as well as ensuring that good governance is maintained at all times, when carrying out our Mission and performing our functions under the various legislation that FIRCA administers.

Also included in the Report are the 2006 Financial Statements have that been audited by the Auditor General.

Yours Sincerely,

Nelson Delailomaloma
Chairman of the Board

THE ORGANISATION

The Fiji Islands Revenue and Customs Authority (FIRCA) reached its eighth year anniversary in 2006. Its establishment was a result of Government's decision to strengthen and consolidate synergies for the collection of revenues by the former two major Government Departments – the Fiji Inland Revenue Service and the Fiji Islands Customs Service.

The merger of the two Government Departments to a statutory organisation with its own institutional framework under the FIRCA Act 1998 has brought with it many challenges, which are not unusual to reforms. However, the overall objective of this transformation will have to override obstacles so that resources are more effectively and efficiently managed to achieve higher performance in the collection of Government revenues.

The recognition for independence and autonomy in strategic planning and operations is reflected in the legislation. Under the FIRCA Act, the Minister of Finance is to appoint a Board that would be responsible for the performance of a number of functions by the Authority.

The broad functions of the Authority are:

- to act as agent of the State and to provide services in administering and enforcing the laws specified in the First Schedule of FIRCA Act;
- generally to exercise all functions and perform all duties carried out by the Inland Revenue Department and the Fiji Islands Customs Service;
- to advise the State on matters pertaining to taxation, customs and border control, and to liaise with appropriate ministries and statutory bodies on such matters;
- to represent the State internationally in respect of matters relating to taxation, customs and border control; and
- to perform such other functions as the Minister may assign to the Authority.

These functions are outlined in the various legislation that FIRCA administers. The legislation include the Income Tax Act (Cap 201), Land Sales Act (Cap 137), Customs Act 1986, Customs Tariff Act 1986, Excise Act 1986, Gambling Turnover Tax Decree 1991, Value Added Tax Decree 1991, Merchandise Marks Act (Cap 241), Wreck and Salvage Act (Cap 198) and Hotel Turnover Tax Act 2006.

The seven Divisions of the Authority: Revenue Collection, Risk & Compliance, Border Control, Development Services, Information Technology, Legal Services and Finance perform these functions.

At the end of 2006, these Divisions have a combined workforce of 770.

BOARD OF DIRECTORS



NELSON DELAILOMALOMA

Chairman



TUI MAILEKAI

Board Member



RIGAMOTO TAITO

Board Member



ANJNISH JOKHAN

Board Member



DR. BIMAN PRASAD

Board Member



PAULA ULUINACEVA


Board Member


CHIEF EXECUTIVE OFFICER'S REPORT



The year 2006 was both a challenging and a successful year for FIRCA, collecting another record net revenue of \$1.198 billion. Despite the 3.6% low economic growth rate, FIRCA managed to exceed its revenue forecast by about 4%. This high revenue collection contributed towards 86% of total Government revenue for the year.


As a revenue collection agency, our main key performance measure is the total revenue collected on behalf of the State.


Refer to Table 1  Table 1 shows the 2006 actual collection when compared to forecast for each of the four revenue types: Income Tax, Value Added Tax (VAT), Customs and Hotel Turnover Tax (HTT).


Refer to Chart A  VAT continued to be the highest contributor to the revenue collected by FIRCA, and for 2006, it comprised almost 40% of the total collections for the year. The composition of each revenue type is graphically illustrated in Chart A.

Higher Revenue Collection


The record amount collected of \$1.198 billion was 12.6% higher than 2005 collections. Revenue growth was underpinned by the strong growth in Income Tax, which grew by 18.3%. Indirect taxes in the form of VAT grew by 12.9% whilst Customs revenue is experiencing a downturn due to subdued fiscal duty collections and recorded a slight growth of about 3% over 2005 collections.


Refer to Chart B  Chart B shows the three years revenue trend for the Authority.

Refer to Chart C  Revenue growth was buoyant relative to nominal GDP growth rate.

Refer to Table 2  Table 2 provides details of the revenue collected by category under the four major revenue types in the last three years.

Concessions granted by the Government have an impact on the total revenue collected in any given year.

Refer to Chart D  Chart D compares revenue foregone through granting of concessions in the past three years, and

Refer to Table 3  more details are provided in Table 3.

The key factors contributing to outstanding revenue performance were as follows:

Positive Economic Outlook

Estimated real GDP growth of 3.6% was indicative of the positive economic performance, which has translated into improved revenue collection.

Sound Revenue Policies


The introduction of sound revenue policies by the Government assisted the Authority to collect the record amount of revenue. A number of these policies supported the Authority's compliance activities and also made tax administration easier.

Improved Compliance

The Authority continued to strengthen its audit, investigation, intelligence and other related functions to achieve better compliance. The creation of a Special Project Team has allowed a closer look into high-risk areas and industries.

Recovery of Tax Arrears

FIRCA managed to recover \$53.7 million from outstanding tax. This was 21.2% higher than that collected in 2005. Over the years, tax legislations were amended to incorporate new compliance measures, which are now assisting the Authority in minimizing tax arrears.

Refer to Chart E  Total revenue growth was relatively higher than growth in arrears as shown in chart E.

VAT Remained the Dominant Revenue Source

VAT continued to be the major contributor to total tax revenue in 2006. VAT collections accounted for 39.2% of total tax revenue. The strong growth in VAT collections in 2006 is attributed to the strong consumption

activity brought about by the strong performance in the tourism industry and the ongoing boom in the construction industry.

Revenue to GDP Ratio




Refer to Table 4  In 2006, revenue collection to GDP ratio was 23.8% falling short of the target of 25% set out in the Government's 2003-2005 Strategic Development Plan.

Table 1  Revenue Type – 2006 Actual vs Forecast

Revenue Type	Actual Collections (\$)	Forecast (\$)	Variance (\$)
Income Tax	410,573,533	376,452,736	34,120,797
VAT	469,758,961	432,652,175	37,106,786
Customs	310,144,423	334,063,409	-23,918,986
HTT	8,390,414	9,625,000	-1,234,586
Total	1,198,867,331	1,152,793,320	46,074,011

Chart A  2006 Total Revenue Ratio

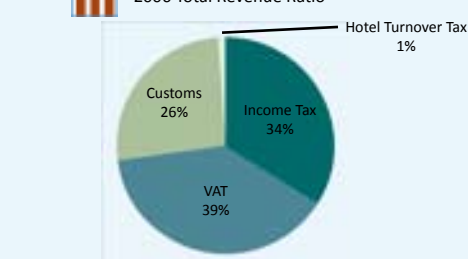


Table 2 Breakdown of Revenue collected by Revenue Categories

	2006 (\$)	2005 (\$)	2004(\$)
Income Tax			
PAYE Tax collection	215,161,808	180,402,407	175,703,549
Dividend & Withholding tax	16,593,352	13,210,933	10,830,397
Company Tax collection	172,497,450	148,270,968	127,226,127
Other Taxes	34,626,784	28,987,282	25,757,601
Provisional Tax	10,904,566	7,036,518	6,711,407
Other Miscellaneous Tax	4,789,714	2,834,284	1,550,706
Gross revenue collection	454,573,674	380,742,392	347,779,786
Less: refunds	-44,000,141	-33,603,200	-31,032,278
Net Income Tax collection	410,573,533	347,139,192	316,747,508
Value Added Tax Collection			
Customs Import VAT	294,678,991	286,135,347	258,068,589
Cash collection	235,311,471	212,754,528	191,651,325
Other Government Departments	80,368,053	70,274,065	61,334,769
Gross VAT collection	610,358,515	569,163,939	511,054,683
Less: VAT refunds	-140,599,554	-152,963,873	-99,863,159
Net VAT Collection	469,758,961	416,200,066	411,191,524
Hotel Turnover Tax	8,390,414		-
Fiscal Duty	209,918,051	215,391,123	214,359,246
Import Excise Duty	13,469,308	1,847,876	-
Excise Duty	81,822,441	76,335,578	78,619,658
Export Duty	8,901,819	11,436,598	8,708,842
Misc Fees/Charges	3,399,959	3,109,288	2,503,618
Gross Revenue	317,511,578	308,120,463	304,191,364
Less Rebates	-7,367,154	-7,047,621	-7,732,854
Net Revenue	310,144,424	301,072,842	296,458,510
Consolidated Total Revenue	1,198,867,332	1,064,412,101	1,024,397,544

Table 3 Concessions granted in 2004 to 2006

	Tax Component 2006 (\$)	Tax Component 2005 (\$)	Tax Component 2004 (\$)
Accelerated Depreciation	2,345,538	750,657	1,401,398
Cash Donations to Approved Organizations/Charities	878,585	243,969	578,419
Cyclone Reserve Fund	1,324,718	1,162,416	-
Donations to Fiji Police Force (Maximum \$50,000)	31,388	60,096	-
Donations to South Pacific Games	338,744	1,910,529	1,774,757
Donations to Sports Fund	304,412	48,259	-
Employee Share Scheme (section 21(l)(u))	69,217	54,964	201,270
Employment Taxation Scheme	1,556,590	1,782,933	1,656,772
Export Incentive (5th Schedule)	3,781,396	2,586,310	6,793,506
Export Profit (section 21B)	19,494,457	24,176,408	5,493,785
Export Promotion Incentive	2,118,012	1,867,952	949,100
F1-Contribution to Audio Visual Production(150% expended)	8,783,628	8,498,830	1,233,750
Film Making Visual Incentive (6th Schedule)	2,504,342	232,500	54,447
Film Tax Rebate	-	-	3,750,000
Fuel Concession	731,611	552,455	-
Hotels Aid Investment Allowance	6,743,370	4,171,589	1,870,577
Income Tax Concession (3rd Schedule)	313,500	102,249	108,859
Investment Allowances (section 21C)	6,100,363	3,441,117	2,962,849
TFF/TFZ Concession	4,266,058	2,706,835	7,231,393
Total Income Tax Foregone	61,685,930	54,350,068	36,060,886
Customs Concession	2006 (\$)	2005 (\$)	2004 (\$)
Section 10 of the Customs Tariff Act ¹	21,156,014	18,947,926	13,048,693
Others ²	61,852,559	57,565,890	55,848,966
TOTAL CUSTOMS DUTY FOREGONE	83,008,573	76,513,816	68,897,659

Notes:

- Section 10 of the Customs Tariff Act empowers the Minister for Finance to allow duty reduction/waiver/refund etc subject to certain conditions
- Other concessions available in the Customs Tariff Act

Chart B Total Revenue Collected 2004 - 2006 (\$ Billion)

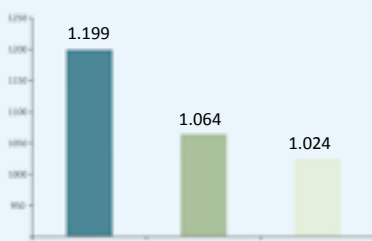


Chart C Revenue Growth Comparative to Nominal GDP Growth

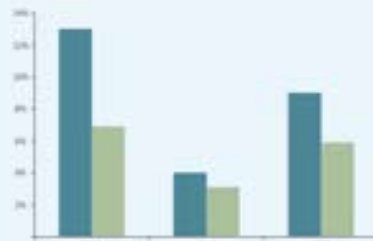


Chart D Total Income Tax Foregone for the past Three Years (\$m)

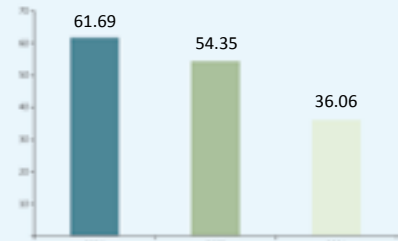


Chart E Revenue Growth vs Growth in Arrears

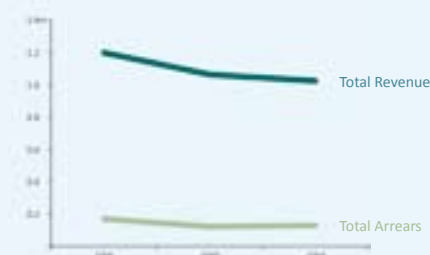


Table 4 Tax to GDP Ratio 2004 - 2006

Year	Tax to GDP Ratio
2006	23.80%
2005	25.90%
2004	26.20%

Organisational Improvements

Apart from the revenue collection, there were other landmark achievements during the year, as the organisation implemented a number of initiatives set out in the 2006-2008 Corporate Plan.

The establishment of a statutory organisation from two existing separate Government Departments requires streamlining business processes, integrating information systems, and harmonisation of laws. Work progressed in all these areas in the past twelve months.

The organisation's Risk Management Framework was established. This framework is intended to be a pro-active approach to mitigating risks, and hence contribute to better planning and effective utilisation of resources.

As an effort to improve our relationships with taxpayers, a number of workshops and seminars were carried out in the year, throughout the country. These were joint efforts of the Operational Divisions and the Policy, Economic Analysis and Research Unit.

The introduction of the concept of Quality Control Circles into the organisation was an effort to improving Customer Service. Training and awareness was conducted for staff, but the program will be officially launched in 2007.

Preliminary research was carried out on the possibility of communicating taxpayers' information through e-mail and on-line lodgements. These will also be further progressed in 2007.

It is also worthy of mention that there were no industrial actions taken in the year, as Management and Staff made every effort to maintain a harmonious working relationship. There was an improvement made to Customs Officers' positions in recognition of the role they play for the organisation. The Board also approved in principle the implementation of Performance Management System, which is planned to be fully effective for the 2007 performance review, covering both Contracted and Non-Contracted Staff, once discussions and negotiations with stakeholders are completed.

The hosting of the Oceania Customs Organisation Annual Conference in March was also a success and a splendid experience for staff.

It has also been exciting to monitor the construction of the new Head Office complex in Nasese as it progressively takes shape. The integrated complex is intended to accommodate all the Corporate and Operational Divisions in Suva, with the exception of certain Customs units as some of their operations would require them to remain close to the wharf.

Conclusion

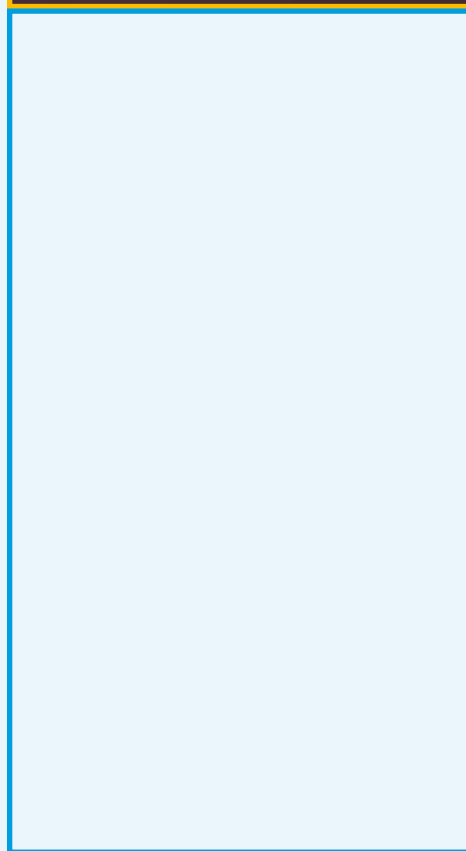
Despite the difficulties faced in 2006, FIRCA has managed to continue performing to expectations. This is a direct result of the dedication, commitment to service and sheer effort put in by all officers in the Authority. The year ahead will present challenges for all, but I am confident that the Authority and staff will continue to persevere and perform to Government's expectations.

I would like to thank the Government and the Board for their assistance and guidance throughout the year. It was a pleasure to have worked with you and I would in particular like to thank the three Board Members (Messrs. Delailomaloma, Taito and Uluinaceva) who ended their term with the Authority in December. We look forward to continuing that experience with the remaining three Members and the new Members who are to be appointed in 2007. I would also like to thank the Interim Government in advance, for their much needed co-operation, which we will need particularly as we face a very challenging environment in the year ahead.

Lastly, my appreciation to the Management Team and all Staff for their support during the year. Amidst the trials and unrest, everyone, Management and Staff alike, worked together in their commitment to ensure that the organisation remained the Premier Revenue Collection and Border Management Agency in the Region. It has been a pleasure and a privilege working with a dedicated group of workers and colleagues over a very trying year and the achievements recorded are all due to your joint efforts.



Tevita Banuve
Chief Executive Officer



SENIOR MANAGEMENT



Tevita Banuve
Chief Executive Officer



Parmod Achary
*General Manager
Development Services*



Andrew Robertson
*General Manager
Information Technology*



Madhu Sudhan
*Acting General Manager
Revenue Collection*



Joseva Leano
*Acting General Manager
Risk & Compliance*



Bill Raikuna
*Acting General Manager
Border Control*



Jone Louie
*National Manager
Border Control*



Jitoko Tikolevu
*National Manager
Policy Analysis &
Research*



David Tansey
*National Manager
Large/International
Audit Compliance*



Dhansukh Lal
*National Manager
Debt Management*



Nemani Maraiwai
*National Manager
Human Resources*



Silipa Kubuabola
*National Manager
Legal Services*



Umesh Chandra
*National Manager
Information Technology*



Daisy Britanico
*National Manager
Finance*



Lopeti Tukana
*Acting National
Manager
Revenue Collection - IRS*



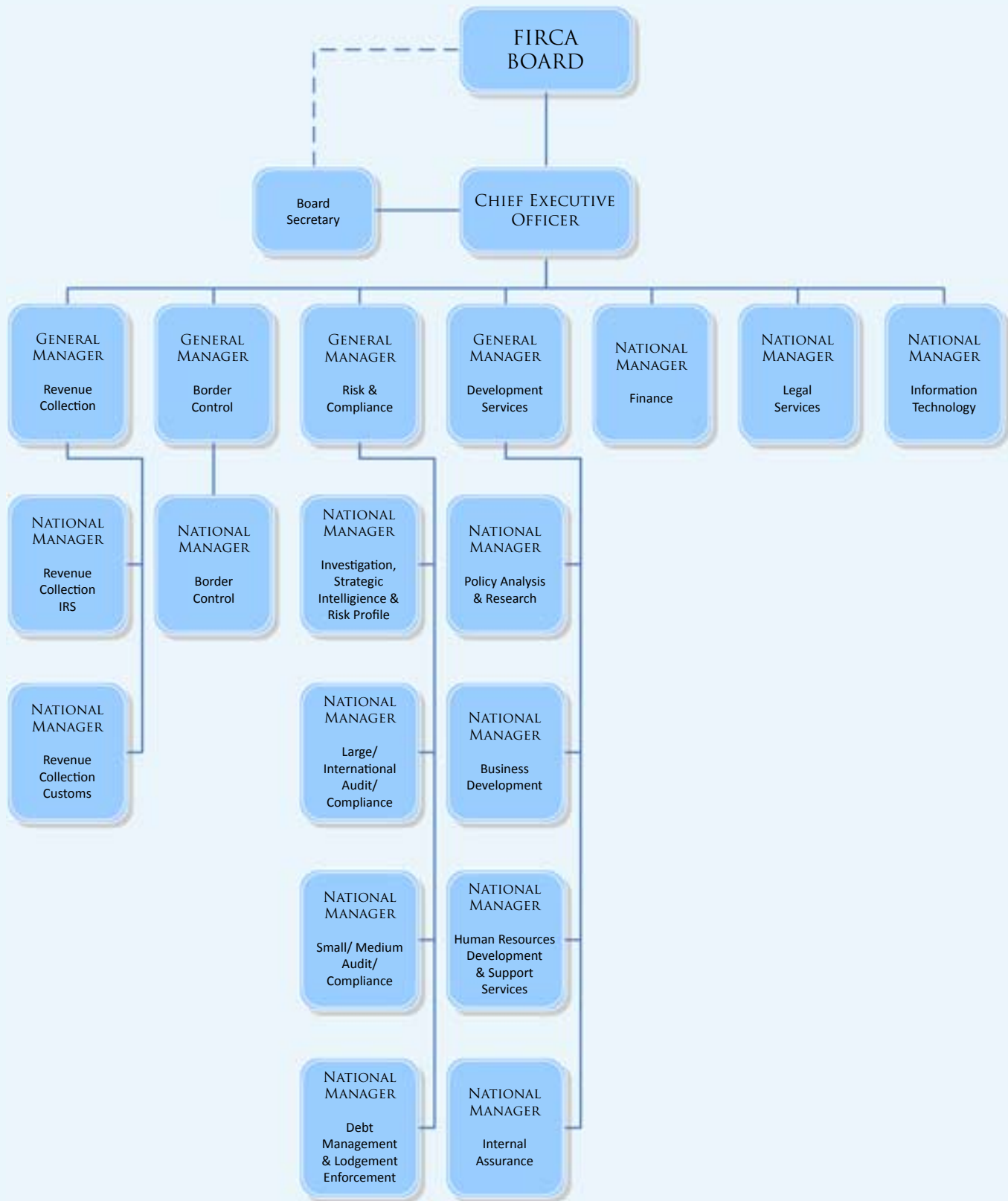
Lepani Rabo
*Acting National
Manager
Small/Medium Audit
Compliance*



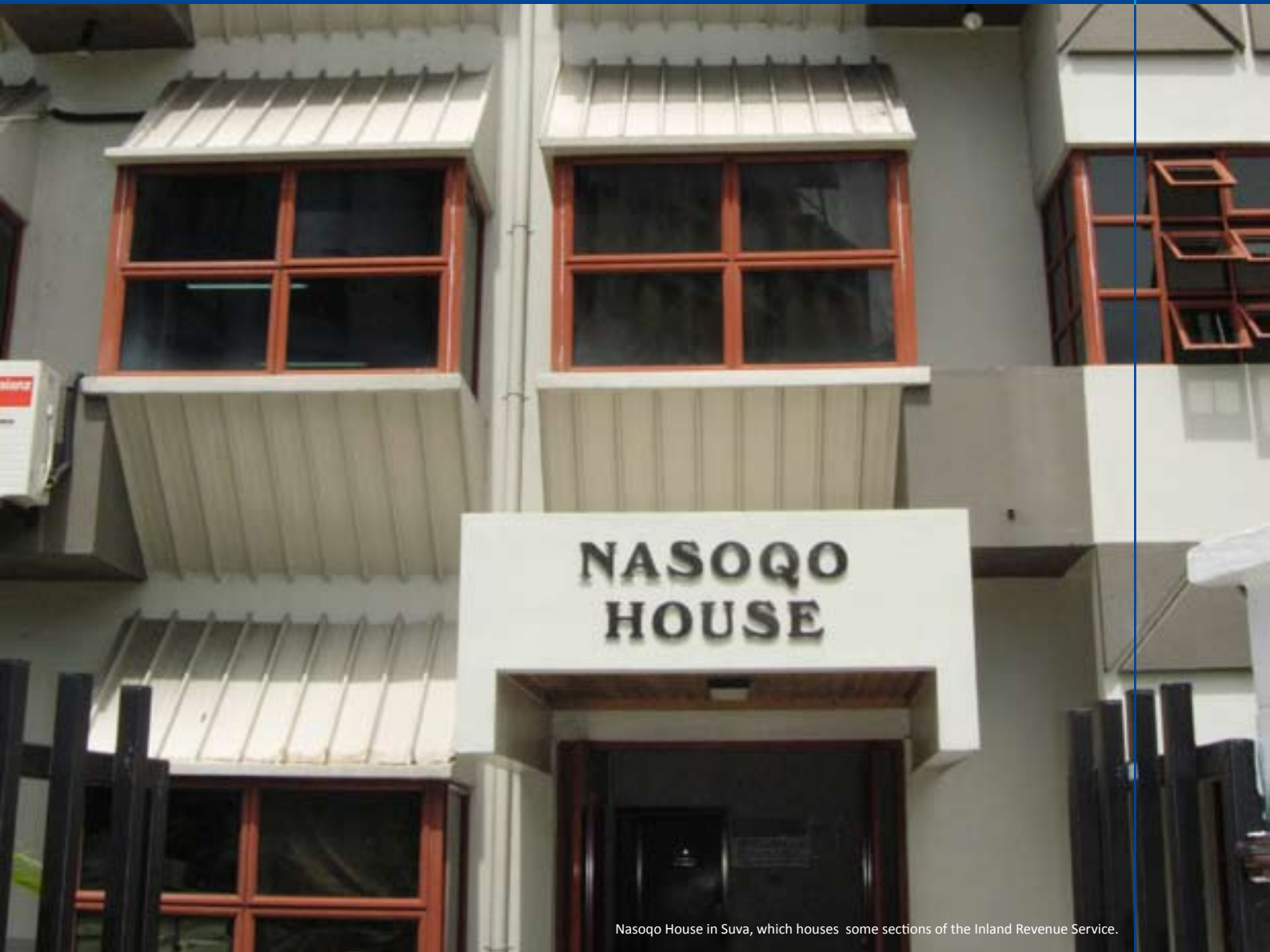
Ahmed Ali
*Acting National
Manager
Revenue Collection
- Customs*

NOTE:
Mr. Andrew Robertson departed the Authority in October 2006.

ORGANISATION STRUCTURE | AS AT 31 DECEMBER 2006



REVENUE COLLECTION



Nasoqo House in Suva, which houses some sections of the Inland Revenue Service.

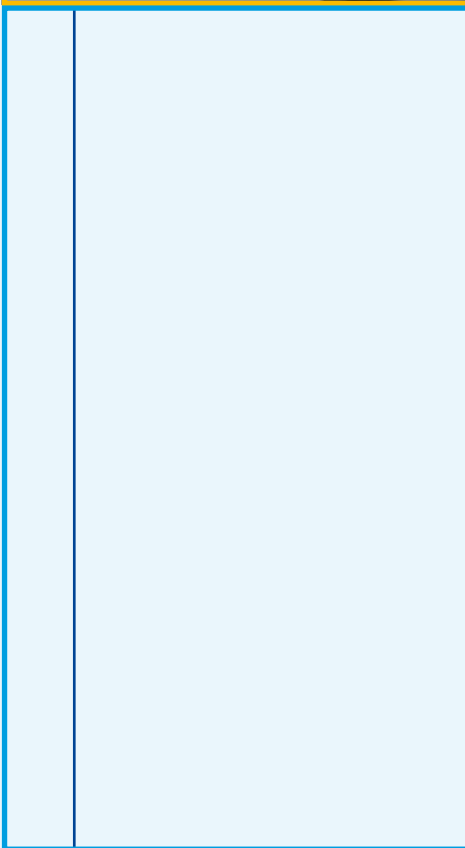
- >> *Inland Revenue Service*
- >> *Fiji Islands Customs Service*

The Revenue Collection Division comprises sections from within the former Inland Revenue Service (IRS) and Customs Department. In terms of FIRCA's business, this Division is the front line of operations – where taxpayers (both Tax and Customs customers) interact and exchange information with the Authority. The Division receives, processes and assesses Tax and Customs forms, and provides feedback to taxpayers.

The IRS' operations comprises of a number of Sections and Units including the Data Entry Unit, Assessment Unit, Despatch Section, Technical Section, Company Section, PAYE, Customer Enquiries Center, Taxpayer Education and Publicity Unit, Technical Interpretations & Procedures Unit and the Amendments, Correspondences and Control Unit.

The Customs Department, on the other hand, consists of the Longroom, Valuation, ASYCUDA, Ships Account, Warehouse, Post Audit, and Tariff and Trade Sections.

Each of the two Departments have their own information systems and business processes, which the organisation is in the process of reviewing and integrating. The two main information systems which contains the database for Taxpayers and Customs clients are the Fiji Integrated Tax System (FITS) and the Automated System for Customs Data (ASYCUDA).



Revenue Collection by Port

FIRCA is responsible for collecting the major tax revenue categories of Income Tax, VAT and HTT and also customs-related revenues from Fiscal Duty, Excise Duty, Import Excise, Export Tax and Fees and Charges.

Refer to Chart F For 2006, the revenue collected by the respective tax revenue collection centers of the Authority is illustrated in Chart F.

Refer to Chart G During the year, Customs-related collections totalled \$310,144,424 in the form of duty, service fees and charges. Chart G illustrates the composition of the major revenue category for Customs-related revenue, which shows that two thirds of the total collections in this category is from Fiscal Duty.

Refer to Chart H & I Suva Port, which caters for most of Fiji's trading activities, collects the highest revenue compared to other Ports. This is illustrated in Charts H and I.

Processing of Forms

Taxpayers and Importers/Exporters are required to fill forms, which are in turn processed and provide the basis for which tax or duties are calculated.

Tax Returns

FIRCA processes tax returns for Salary/Wage Earners, Sole Traders, Partnerships, Estates, Trusts and Provisional taxpayers.

Refer to Table 5 The Division is usually busy during the first five months of any year, in which it processes between 60-70% of forms received. Table 5 compares the number of forms received and processed in the last three years by taxpayer type.

The Division also deals with correspondences including queries regarding certain technical issues. In 2006, it dealt with over 66,000 correspondences, of which over 40,000 resulted in taxpayers having to pay taxes.

Refer to Table 6 For the year, just over \$184 million were paid out to taxpayers as Tax and VAT Refunds, of which about 76% were for VAT and the balance for Income Tax, as shown in Table 6.

Customs Entries and Manifests

As for Customs activities, its daily operations involve the processing of Customs Entries using the ASYCUDA system. For 2006, FIRCA processed over 167,000 SADs and more than 20,000 Import Manifests.

Refer to Table 7 Table 7 provides more details on the number of forms processed at each Port.

Export Certificates – Trade Agreements

Refer to Table 8 In 2006, a total of 1,021 Export Certificates were issued and goods valued at \$149.3 million were exported under different international trading agreements.

Tax Free Factories and Warehouse Operations

The Authority is also responsible for monitoring the operations of Tax Free Factories and Bonded Warehouses to ensure that they are complying with the relevant legislation.

Refer to Table 9 In the year, a total of 59 tax free factories were in operation in Fiji. A total of 273 local transfers were recorded and a total of \$987,025 was collected in the form of revenue from Tax Free Factories (TFF) operations.

Refer to Table 10 In 2006, the Customs Bonded warehouse operations received goods for warehousing in five different categories. They are Bonded Oil Tanks, Motor Vehicles, General Goods, Private Goods and Excise Goods.

Number of Taxpayers

Refer to Table 11 There are close to a quarter million taxpayers registered in FITS as can be seen in Table 11.

Refer to Chart J As depicted in Chart J, cumulative to 31 December 2006, the number of newly registered taxpayers total 11,481, which is 30.9% higher than that recorded in the same period in 2005.

As for Customs taxpayers, FIRCA provides services to about fifty-three (53) Customs House Agents operating in Fiji with Customs registered licences. In addition, the Authority serves individuals and organisations who import or export goods through our ports.

Table 11 Number of Registered Taxpayers

Tax Return Type	2006	2005	2004
Form S	182,240	175,040	169,139
Form B	30,630	28,304	27,381
Form C	10,713	10,071	9,504
Trusts and Estates	2,242	2,170	2,089
Partnerships	3,656	3,534	3,401
Non Resident Shipping	1	1	1
VAT	19,141	17,618	16,318
Total	248,623	236,738	227,833

Chart F Revenue Collected by Revenue Centers 2006

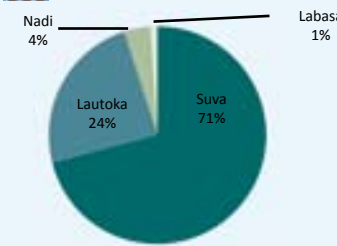


Chart G Composition of 2006 Customs Revenue

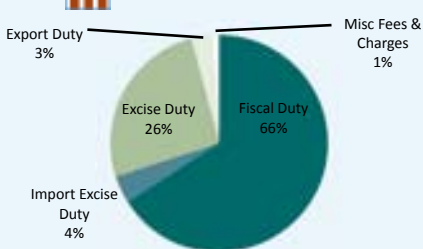


Chart H 2006 Customs-related Revenue Performance by Port

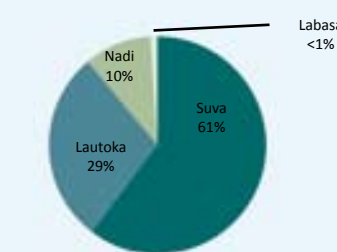


Chart I Revenue Collection Trend by Port (2004-2006)

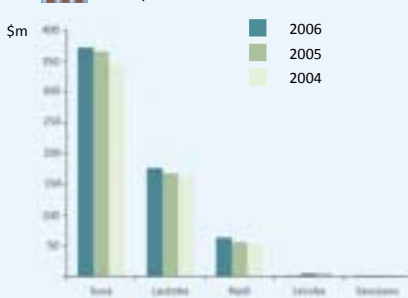


Chart J Newly Registered Taxpayers 2004-2006

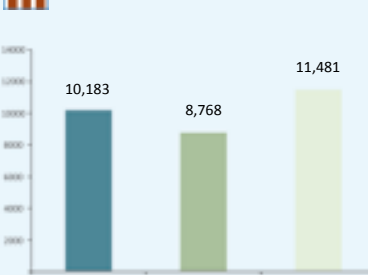


Table 5 Number of Returns Processed by Tax Type

Return Type	2006		2005		2004	
	Received	Processed	Received	Processed	Received	Processed
Salary/Wage Earners (Form S)	77,334	77,180	70,243	70,133	70,618	70,280
Business (Form B)	16,075	15,571	13,882	13,796	14,748	14,554
Company (Form C)	4,069	4,001	3,783	3,739	3,096	2,923
Partnership (Form P)	500	489	624	614	581	567
Estate/Trust(Form E)	274	260	277	265	237	231
VAT	68,161	63,338	67,048	62,960	55,652	53,975

Table 6 Refunds issued in 2006

	2006 (\$)	2005 (\$)	2004 (\$)
Income Tax	44,000,141	33,603,200	31,032,278
VAT	140,599,554	152,963,873	99,863,159
Total	184,599,695	186,567,073	130,895,437

Table 7 Total number of SADs and Manifests processed on ASYCUDA system.

Port	Import (IIM)	Import (SC)	Export	Excise	T/Ship In	T/Ship Out	Total SADs Processed at port	Import Manifests
Suva	49,284	235	14,342	259	2,386	1,455	67,961	3,933
Lautoka	19,855	46	3,793	33	10	9	23,746	2,639
Nadi	38,720	17,463	14,264	8	2,346	2,346	75,147	13,931
Levuka	365	0	22	125	0	0	512	Manual processing
Savusavu	74	111	0	0	0	0	185	Manual processing
Total	108,298	17,855	32,421	425	4,742	3,810	167,551	20,503

Table 8 No. of Export Certificates Issued Under Various International Trade Agreements

Port	EUR	MSG	Certificate of Origin	CITES	Total Issued	Export Value
Suva	91	189	53	Nil	333	\$21,009,951
Nadi	133	Nil	Nil	251	384	\$4,555,960
Lautoka	59	129	6	110	304	123,758,816
Total	283	318	59	361	1021	\$149,324,727

Table 9 Total Number of Tax Free Factories Operating in Fiji

Port	No Tax Free Factories Operations	Number of Transfers	TFF Local Sales
Suva	38	200	743,764
Nadi	6	15	27,350
Lautoka	15	58	215,911
Total	59	273	\$987,025

Table 10 Number of Warehouse Operations

Port	Bonded Oil Tanks	Motor Vehicles	General	Private	Excise	Total
Suva	22	25	5	13	6	71
Nadi	10	5	2	6	0	23
Lautoka	22	10	10	0	1	43
Levuka	Nil	Nil	Nil	2	Nil	2

Some other major achievements for the Revenue Collection Division during the year were:

- Hotel Turnover Tax (HTT) - In June 2006, the Hotel Turnover Tax Act, which is administered by the Authority, came into effect. The Act saw the introduction of the HTT levied at 3% on all hotel services charged to customers. A total of 207 hoteliers had registered for HTT purposes and \$8.39 million was collected within seven months of operation. The Division carried out extensive consultations before June to ensure understanding in the application of the tax. More work is required by both the Revenue and the Compliance Divisions to ensure full coverage of operators in the sector and compliance with the HTT Act
- FITS/ASYCUDA Enhancements – The Income Tax and Customs revenue information systems were enhanced to facilitate the effective and efficient processes for generating revenue.
- Tax Identification Number (TIN) used in Customs as the common identifier - Previously the Agent Import Export (AIE) codes were used in Customs as a mode of identification for customers and customs agents. The use of TIN as the common identifier for both income tax and customs enhances strategies in revenue collections.
- Excise Returns On-line – This new process aligned our customer services for more efficiency and convenience in facilitating customer needs, and hence improved revenue collections. Several companies throughout Fiji have been used to pilot this project.
- Taxpayer Education – this Unit was established to provide information and advisory services on tax issues to members of the public, business entrepreneurs and all interested parties. During the year, the Unit conducted education awareness programs on HTT and registration for tax purposes. It also hosted a number of talkback shows in English, Fijian and Hindi.
- Outstanding VAT refunds - Measures were taken to reduce the high VAT refunds held with the Authority. The Ministry of Finance was requested to approve the increase of the VAT refund forecast by an additional \$10m to assist with the clearance of the long outstanding refunds.
- Review of Harmonised System Nomenclature. This seeks to update Fiji Customs tariff according to the changes made in the revised 2007 World Customs Organisation (WCO) Harmonised System Nomenclature. The WCO normally reviews its Harmonised System Nomenclature every 4 to 5 years due to the changing patterns of globalised trade, changes in technology and classification purposes etc. Another reason for the change is that the life cycle of most products are between 3 to 5 years, excluding fad and fashion products.
- As a result, Fiji Customs tariff was redrafted and printed to accommodate the revised 2007 World Customs Organization System Nomenclature changes. The WCO Harmonised System Nomenclature includes 354 sets of amendments /changes which have been incorporated in our Customs tariff. In the revision process of updating our Customs tariff, 512 tariff items have been deleted and 363 new tariff items have been incorporated. This also includes the creation of local subdivisions to cater for our domestic needs.
- Strengthening Customs Post Clearance Audit. This Section is responsible for verifying documents and assessments on Customs transactions to ensure that the correct revenue is collected.



BORDER CONTROL



Customs Officers inspecting containers at Suva's Kings Wharf

The Border Control Division is responsible for managing revenue and security risks associated with the movement of people, cargo, vessels and aircraft at our borders.

The Border Control Division role is to protect the Fiji Islands by effectively managing the risks and security associated with the movement of people, cargo, vessels and aircraft across our borders and aiming to facilitate legitimate travellers and traders. Its assessment of security is based on the risk management approach.

The main sections of the Division include the Cargo Container Examination, Air Freight, Primary Line Operations, Passenger Processing, Trans National Crime Unit and the Marine Unit.

Security is an important issue to any government and several initiatives were taken by the Division geared towards helping our government in the development of national security policies and improving security in the supply chain.

During the year some of the initiatives taken that resulted in changes to business processes of the Division included:

- Installation of CCTV Camera project was completed in August at Suva's Kings Wharf. This improved the security monitoring on the release of goods from Customs control;
- New Zealand Customs facilitated a risk management awareness presentation in August so as to raise awareness with FIRCA on international security requirements on international supply chain; New Zealand Customs facilitated a risk management awareness presentation in August to raise an awareness with FIRCA on international security requirements on international supply chain;
- Completion of data collection forms for Supply chain security requirements was completed in the fourth quarter. This will help in strengthening the Supply Chain security framework; and
- Introduction of electronic checking for verification of release notes with manifests prior to clearance of goods from Customs control.

The Marine Unit visited the Lomaiviti Group in October, with Risk and Compliance Division staff, and made presentations to several tikinas on the role of Customs in Border patrol and border management issues. The section also visited the Mamanuca Group of islands and held discussions with various stakeholders.

PRIMARY LINE




A FIRCA Primary Line officer processes visitors' travel documents.

Management has strengthened the capacity of Primary Line staff through the provision of training.

Refer to
Tables
12 - 14

Tables 12 to 14 gives an indication of the level of activity at the Primary Line, showing the number of arrivals and departures for both passengers and aircrafts, and the volume of cargo discharged and loaded at our ports.

Table 12  Total Passenger Traffic at all Ports - 2004 - 2006

Port	Passenger Disembarked			Passenger Embarked			Passenger in Transit		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Suva	29,813	34,807	61,421	28,560	32,213	52,259	31,128	5,777	3,790
Lautoka	753	964	550	1,368	6,307	478	14,949	6,728	8,079
Nadi Airport	618,143	607,541	548,202	610,748	668,135	526,683	53,440	12,850	18,051
Levuka	53	18	23	57	3	44	-	116	110
Savusavu	694	6	-	367	6	-	141	37	-
Total	649,456	643,336	610,196	641,100	706,664	579,464	99,658	25,508	30,030

Transnational Crime Unit

This Unit has been vigilant in promoting the working together of border organisations in order to assist the TCU in controlling our borders.

During the year, the Unit has been promoting the effectiveness of information exchange of local and international stakeholders in order to monitor transnational crime effectively.

The Unit also compiled data to prepare intelligence risk assessments foreseen through the year.

Case Management Intelligence System (CMIS)

The CMIS was enhanced whereby relevant information is automatically linked in the system. The database will greatly assist all stakeholders including FIRCA, the Police Department, Immigration Department, the Fiji Islands Trade and Investment Bureau, Local Government Authorities, Financial Intelligence Unit, and other Law Enforcement Agencies.

Listed below are a number of cases which the TCU was involved in during the year:

- **OPERATION SLIMLINE:** A money laundering fraudster who was in the local news media headlines for some time in 2006 was investigated for producing fake Queensland Police Clearance documents to Fiji Immigration in order to obtain his Fiji visa. TCU continues to assist investigators in identifying witnesses and suspects. Investigation has extended to the Federal States of Micronesia, Vanuatu and Australia for suspicion of money laundering.
- **OPERATION POTE:** A Tongan drug smuggling syndicate was operating from Fiji and smuggling drugs to Tonga. A few of the targets who were under surveillance by TCU were arrested during a Police roadblock in Sigatoka. They are awaiting trial at the Sigatoka Court.

- **OPERATION LAVO NI CHINA:** An overseas Chinese company had wired money into a lawyer's trust account for investment in buying shares in various companies in Fiji. The Money Laundering Unit is currently investigating this case.
- **OPERATION SAMSON:** A lecturer at a locally based regional tertiary institution was targeted for paedophile cases and was arrested and charged. The case is pending in Court.

During the year, 340 information call-in were received by TCU. Out of these, 105 were further processed whilst 24 new cases were opened.

During the year 6 cases were taken to Court resulting in 5 convictions.



Table 13 Arrivals/ Departures for Air Crafts/ Shipping Vessels

Types of Vessels	Port	2006		2005		2004	
		Arrival	Departure	Arrival	Departure	Arrival	Departure
Aircrafts	Nadi Airport	4,375	4,504	4,515	4,492	4,043	4,035
	Nausori Airport	463	502	504	494	569	563
Foreign Vessels such as Cargo Vessel, Passenger Liner and Oil Tanker	Suva	480	476	550	546	391	362
	Lautoka	378	376	345	356	353	353
	Levuka	8	8	9	9	11	11
	Savusavu	19	19	20	20	13	14
	Fishing Vessels	Suva	1,224	1,214	1,162	1,042	1,047
	Levuka	119	119	129	129	127	127
Yachts	Suva	282	251	377	77	310	175
	Lautoka	203	466	577	356	528	485
	Levuka	34	34	53	53	66	66
	Savusavu	313	303	351	331	282	265

Table 14 Total Cargo Volume at all Ports in Metric Tonnes - 2004 - 2006

Port	Cargo Discharged (metric tonnes)			Cargo Loaded (metric tonnes)		
	2006	2005	2004	2006	2005	2004
Suva/Nausori	2,258,392	1,783,768	850,011	410,802	789,340	447,114
Lautoka	681,636	493,744	515,742	755,805	971,759	866,003
Nadi Airport	9,353	9,792	7,302	11,249	14,299	14,107
Levuka	12,932	16,732	22,478	955	1,130	1,952
Savusavu	6,886	9,401	6,482	16,500	7,654	2,762
Total	2,969,199	2,313,437	1,402,015	1,195,311	1,784,182	1,331,938

RISK & COMPLIANCE



A Special Projects Team in the field.

The Risk & Compliance Division ensures that taxpayers, traders and other stakeholders comply with the legislations that the Authority administers whilst also identifying, analysing and managing risk areas.

As the name suggests, the purpose of the Division is twofold. It ensures that taxpayers, traders and other stakeholders comply with the various legislations that the Authority administers whilst also identifying, analysing and managing risk areas. In this context, this Division complements the core functions of the other two operational arms of FIRCA – Revenue Collection and Border Control Divisions.

The integration of tax and customs compliance functions within the Risk & Compliance Division also guarantees greater information sharing thus leading to improved revenue collection.

The Division encompasses the following four sections, which enables efficient administration and maximum use of resources.

1. ***Large/International Audit Compliance***
2. ***Small/Medium Audit Compliance***
3. ***Debt Management / Lodgment Enforcement***
4. ***Investigation, Strategic Intelligence & Risk Profiling***

Large/International Audit Compliance

2006 was the second year of operation for the Section. It manages the compliance of taxpayers with contentious international issues and companies with an annual turnover of \$7 million or more.

During the year, the Section completed 162 audits and raised assessments totaling \$22.5 million.

In a move to ensure that foreign investors comply with Tax, Customs and other relevant legislations, the National Manager chaired the Fiji Islands Trade & Investment Bureau's Inter-agency Monitoring Task Force on Foreign Investment.

Special Project Team

This Team was set up in April 2006 with the responsibility of dealing with various aspects of Property and Land Sales like the Sale of Shares in land-rich companies and their tax clearance applications and implications. The Team conducted several seminars and presentations to the Fiji Law Society and the Fiji Institute of Accountants to clarify the rationality of assessment and the need to assess profits derived from the sale and development of private and commercial lots.

The Team completed 157 audits and managed to raise \$47.4 million in assessments.

Small/Medium Audit Compliance

The core function of this Section encompasses both tax and customs compliance for small to medium taxpayers. However, four teams in Suva and Labasa have been categorized to focus on the three major industries of Transportation, Tourism and Construction. The industries were to be handled as a project whereby the three teams were accountable in collating data regarding the population, legislations, stakeholders, functions of the industries, revenue collection and compliance levels. However, various other teams are still processing individual case audits.

In total, the Section managed to complete 339 audits after identifying discrepancies totaling \$11.9 million.

Taxi Project

The above project is a combined initiative by both FIRCA and the Land Transport Authority to critically monitor taxi proprietors so that they comply with the relevant legislations administered by both organizations.

During the year, the team was able to raise a total tax payable amount of \$330,873.

Of that amount, 172 were amended returns and 692 were from original returns.

The project is progressing well and has resulted in much improved compliance in terms of lodgment of returns for taxi operators.

Fraud Unit

The Unit engages in investigation, prosecution and forensic work in relation to serious non-compliant taxpayers who have allegedly breached our tax legislations.

During the period, the Unit has been working on a number of cases and completed six, thus resulting in accumulating a discrepancy of \$1.8 million .


Debt Management Service

This Section deals with taxpayers that are not able to clear their debts within the specified period. Methods like issuing Garnishee Orders and placing charges on taxpayers are being adopted to ensure that all amounts owed to the Authority are recovered.

During the year the Section has been able to recover over \$53.7 million in cash, which was above its yearly target of \$50 million. There has also been a non-cash collection of \$78.9 million, which basically accounts for the offsets between the amount that is payable and the amount that is refundable to the taxpayers.

Lodgment Enforcement Unit (LEU)

This Unit ensures that all taxpayers comply with the legislations administered by the Authority, at the appropriate time. By matching names of those that have registered and those that have not lodged through FITS, the LEU is able to identify offenders. In the process, the Unit has been able to raise assessments of \$20.7 million in 2006.

Refer to  **Table 15** In summary, revenue collected from the audit, lodgment enforcement and debt management works of this Division totalled over \$160 million. The breakdown of this is shown in Table 15, including percentage contribution of each of the audit and debt management functions.




Refer to  **Table 16** The value of assessments raised from Audits are detailed in Table 16.

Table 15  Divisions Contribution to Revenue As At 31st December 2006

	2006 (\$)	Contribution to Revenue Collected through Audits and Debt Management	2005 (\$)	Contribution to Revenue Collected through Audits and Debt Management
Tax Audit & Customs Compliance	86,982,436	54%	43,268,360	48.5%
Overdue Debt Collected	53,725,775	33%	44,335,291	49.5%
Assessments From Actioning Non-Lodgers	20,728,643	13%	2,029,644	2%
Total	161,436,854	100%	89,633,295	100%

Table 16  Assessments raised from Tax Audit

	2006 (\$)	2005 (\$)
L/I Suva	19,219,874	12,927,704
Special Project Team	47,427,905	-
L/I Lautoka	3,277,489	3,033,288
Fraud Unit	1,842,351	8,429,721
S/M Suva	3,861,438	11,761,448
S/M Lautoka	6,427,714	1,200,624
S/M Labasa	2,033,814	2,029,644
Total	84,090,585	39,202,429

Customs Compliance

Refer to Table 17

The Sections at the Suva and Nadi ports opened 50 new audits, closed 7 of the ongoing audits and managed to collect \$1.85 million in duties and VAT amounts during the year.

An issue that was also identified was the number of pending cases which have been outstanding for some time now.

The Unit in Lautoka opened 1,743 SAD audits during the year. Focusing on ongoing Custom entries based on manpower availability, they were able to collect \$79,950 in duties and VAT.

Customs Investigation Branch

This Section handles all complex cases that are referred to them mostly from the Customs Compliance & Intelligence Unit. As a result, the Unit in Suva has been able to open 16 new cases during the year and raised assessments amounting to \$645,690. The Units in Nadi and Lautoka were able to accumulate \$51,553 and \$342,473 respectively.

The Units in Suva and Lautoka increased their performance in terms of total assessments raised during each quarter whilst the Nadi Unit experienced a large decrease in their total assessments in the last quarter.

Customs Intelligence Unit (CIU)

The Unit deals directly with cases that have been assessed through intelligence profiling. They target not only the taxpaying public but also our internal staff as a whole. Their timely advice prevents staff from compromising the Authority's Mission and Vision thus ensuring the organization is above reproach. The Unit managed to open 132 cases and have them disseminated to the respective Sections accordingly.

During the year the CIU Teams also got involved in joint operations with other divisions within FIRCA, as well as other law enforcement agencies. Their tasks ranged from conducting surveillance, to analysing relevant information to identify offenders, their locations and other high-risk activities.

Major Initiatives Undertaken

- **Project Based Audits.** This resulted from a policy analysis paper that identified three key industries, which are considered higher risk areas – Construction, Tourism and Transportation. The Division will have to apply more resources and focus on these key industry's business transactions.

- **Rental Reporting System (RRS).** The RRS was added to the Income Tax Act (s47A) as part of the 2006 Budget measures. The System requires Real Estate Agents (as defined in the Real Estate Agents Act 2006) to lodge Annual Reports to FIRCA by the end of February in the subsequent year. The Reports are to disclose all rents collected on behalf of landlords for that particular year. This System is implemented by the Income Matching Unit (IMU) of the Risk & Compliance Division and by the Revenue Collection Division. The IMU is to ensure compliance and that this income has been returned by landlords.
- **Hotline.** The CEO launched the 0800 hotline number (0800 331 7070) at the Intelligence Unit on September 1, 2006.



Table 17 Revenue raised from Customs Compliance Activities

	Customs Compliance		Customs Investigation		Total	
	2006 (\$)	2005 (\$)	2006 (\$)	2005 (\$)	2006 (\$)	2005 (\$)
Suva	174,471	1,536,210	645,690	2,049,505	767,713	3,585,715
Lautoka	79,950	119,535	342,473	80,974	422,423	200,509
Nadi	1,597,714	77,632	51,553	201,175	1,649,267	278,807
Total	1,852,135	1,733,377	1,039,716	2,331,654	2,891,851	4,065,031



DEVELOPMENT SERVICES



Development Services staff hold discussions.

The Development Services Division comprises of four main Departments: (i) Policy, Economic Analysis & Research; (ii) Human Resources; (iii) Business Development; and (iv) Internal Assurance.

The Development Services Division comprises of four main Departments under the approved JERP organisation structure:

1. Policy, Economic Analysis & Research: Policy Advice, 2007 Budget Preparation, Post 2006 Budget implementation, 2007 Revenue Forecasting, Oceania Customs Organisation (OCO) Annual Conference, Representations to various forums and meetings
2. Human Resources (HR): Recruitment, Training and Development
3. Business Development: Records Management Unit, International Section, Public Affairs and Marketing Unit, Research, Planning and Policy Development Unit, Project Management Unit
4. Internal Assurance: Ethical Standards Unit, Risk Management Unit, Internal Audit

Policy Advice, Economic Analysis & Research

The role of the Policy, Economic Analysis & Research Unit is becoming more critical in terms of the advice given to Management, Government and other stakeholders in relation to FIRCA's policy measures and revenue forecast. With the increased number of economic analysis required for the Executive Management and the Board, the Unit has been heavily involved in the construction of models and supporting analysis to justify trends and performance.

During the year, the Unit carried out the following key tasks: -

Policy Advice

Numerous recommendations were given to Government through the Chief Executive Officer's Office. This includes Supply Chain initiatives, Small Medium Enterprises, Budget Fiscal Measures, Import Excise and Double Taxation Agreement (DTA's) amendments.

Revenue Forecasting

The annual forecasting of revenue is a key function of the Unit.

For the 2006 Forecast, the Weighted Average Method was recommended to and endorsed by the FIRCA Board and the Revenue Technical Committee (which comprises officials from FIRCA and the Ministry of Finance and National Planning). The Unit is keen to improve these methodologies and more research will be carried out to facilitate this.

Budget Preparation

- Preparing and finalising the 2007 Budget Revenue Measures. This work includes compilation of in-house recommendations both in terms of customs and tax to be submitted to the Revenue Technical Committee (RTC) and Revenue Policy Committee (RPC). These two committees are driven by the Policy Unit in terms of preparation of papers for discussion, comments, research and making appropriate recommendations.
- Preparation of Bills was completed on time for Parliamentary approval. A lot of paperwork was involved, e.g, Cabinet Papers, Draft Bills and Speech Notes.
- Presentations to the Parliament Sector Committees, Senators and Government caucus.
- Preparation of papers and research pertaining to the introduction of HTT; A lot of discussions and consultations took place between Policy, the Fiji Islands Hotel & Tourism Association

and hoteliers to finalise the legislations.

- Later in the year, held discussions with the Ministry of Foreign Affairs, Ministry of Commerce and the Ministry of Finance on the signing of the Economic Partnership Agreement (EPA) on Fiji.

Post 2006 Budget implementation.

- The Unit was involved in the implementation of the 2006 Budget Measures, which was announced by the Minister in November 2005. It was responsible for the preparation and gazettal of the following Acts:
 - I. Hotels Aid (Budget Amendment) Act 2006 [Act 3 of 2006];
 - II. Income Tax (Budget Amendment) Act 2006 [Act 4 of 2006];
 - III. Hotel Turnover Tax Act 2006 [Act 5 of 2006];
 - IV. Income Tax (Small & Micro Enterprises Incentives) Regulations [LN 23];
 - V. Income Tax (Vanua Levu Tax Incentives) Regulations 2006 [LN 25];
 - VI. Income tax (Dividend) (Amendment) Regulation 2006 [LN 26];
 - VII. Income tax (Allowances for Depreciation and Improvements) (Amendment) Instructions 2006 [LN 27];
 - VIII. Income Tax (Sixth Schedule Fees) (Budget Amendment) Regulations [LN 28];

- IX. Hotel Turnover Tax Regulations 2006 [LN 35]; and
- X. Double Taxation Agreement with Singapore [LN 29].

- The Unit also assisted in the finalisation of the Customs revenue measures that were part of the 2006 Budget announcement including the preparation of Cabinet papers and reference speaking notes for the Minister for Finance.

Representations to various forums and meetings

The Unit continues to be the Authority's representative to various Government formed Committees and fora (Cabinet Sub Committee for Investment (CSI), National Tourism Council, Macro Technical Committee, Micro Technical Committee, Debt & Cash flow Committee, Revenue Technical Committee and Revenue Policy Committee), providing advice and analysis as and when required.

Oceania Customs Organisation (OCO) Annual Conference

The Policy Unit chaired the in-house Committee, which was responsible for arranging and organising the Annual Conference held at the Shangri-La's Fijian Resort in March 2006. The Conference was a success given the number of participants that attended and the responses received from delegates.



Delegates of the 2006 OCO Conference

HUMAN RESOURCES

The Human Resources Department provides support functions to Management and staff in 2006, equipping the operational arms with the necessary personnel to enable them to achieve their various goals and targets. The Department is responsible for the recruitment and training functions of the organisation.

Recruitment

The biggest challenge for HR was finding the right people to fill the vacant positions as part of the Job Evaluation and Restructure Project (JERP) process as well as a result of natural attrition. Another challenge was trying to accommodate the various processes that were somewhat left out during the restructure phase, but are necessary to the operations of the Authority, such as Post Audit Compliance in Customs. As a result, additional positions were created, increasing the required establishment to 792.

Refer to Table 18 At the end of 2006, we had a total staff establishment of 770 of the required 792. During the year, we had a total of 50 resignations for varying reasons including migration and better opportunities available both locally and abroad.

In its efforts to create a relationship with operational arms, 2006 saw the reviving of the FIRCA Staff Board. This is a forum that allows for discussion of staffing issues and its membership included the Divisional Heads and National Managers. The Staff Board has been very successful as a discussion forum.

Training and Development

The small but closely-knit Unit of five officers worked together throughout the year to ensure training was provided to staff of the Authority to enhance their capabilities and thus meet the targets of their various Units and Divisions. In 2006, thirty-six (36) courses were outlined in the Training Prospectus. Of these, thirty-three (33) courses were conducted. In total, the Unit conducted thirty-eight (38) in-house courses of which 5 were not identified in the Training Prospectus but the Authority saw it as an organizational need. There were thus, 170 sessions of in-house courses conducted during the year.

The Authority nominated 62 staff to attend 27 external courses and was invited to nominate staff for fifty-two (52) overseas courses. However, we were only selected for thirty-five (35) courses of which a total number of 43 Staff attended. As a result, 618 staff received training in 2006.

At the end of the year, the Unit sent out Training Needs Analysis forms to all staff in order to prepare the Training Calendar for 2007.

Business Development

The Business Development Department comprises a number of small Units, which not only provides support services to Executive Management, but is responsible for functions which are meant to facilitate organisational improvements, strategic development and sustainability.

Records Management Unit

The Records Management Unit (RMU) is accountable for the maintenance and management of all records in the Authority, and the major highlight for 2006 was the approval for introduction of records management off-site capability and acquiring a records storage facility in Nakasi.

The implementation of RM Off-site capability will further enhance Records Management processes in an effective and efficient manner.

During the year, the RMU was involved in the re-organisation of File Rooms, continued updating archives of the pre-2000 records at Senikau House and completed registration of closed audit cases on Total Records Information Management (TRIM) system at the RMU in Ro Lalabalavu House. Furthermore, through recruitment of extra manpower at RMU Lautoka, the filing of Customs & VAT records were updated.

Moreover, during the year apart from capturing corporate and function records on TRIM system, HTT records at all IRS RMU stations was being registered and managed. A Records Management Loan Policy was developed and implemented for use in RMU in order to effectively administer all file requests. The records management team was also involved in updating the records management procedure manuals that

concluded with FIRCA's operational processes. Further, the Records Management Training Manuals was updated and appropriate ongoing records management training in the area of archives administration, basic record keeping concepts and TRIM training was conducted during the year.

The Records Management processes at Nadi was further enhanced to administer the control and transfer of old Customs records to the Queens Bond Warehouse in Suva. Consequently, as part of strengthening the records management processes, the File Census exercise was implemented on a quarterly basis at IRS for better control and management of file movements and requests.

Towards the end of the year, a total of 102,294 records was captured on the TRIM system and 7,784 Files was requested from the File rooms across FIRCA. Further, 10,384 pre-2000 files were archived and a total of 103,250 inward mails were received in RMU across FIRCA.

International Section

The Section represented the Authority on various trade negotiations and meetings with the private sector and with other public sector agencies.

The Ministry of Foreign Affairs and External Trade is mandated by Cabinet to negotiate external Trading Arrangements and this section represents FIRCA in the National Trade Development Committee. Through this Committee various technical advice is given in the field of tariff, Harmonized System, Valuation and Rules Of Origin (ROO).

Table 18 Number of Staff per Division

Division	Number of Staff	
	As at 31 Dec 2006	As at 31 Dec 2005
Executive	3	3
Revenue Collection	226	224
Risk & Compliance	208	199
Border Control	199	199
Development Services	82	78
Legal Services	13	12
Finance	18	14
Information Technology	21	14
Total	770	743

Fiji represents 14 Forum Island countries in the ROO Committee in Brussels for the New Economic Partnership Agreement.

The International Section keeps close relations with various world trading bodies such as the World Trade Organization (WTO), World Customs Organization (WCO), Pacific Islands Forum Secretariat, Oceania Customs Organization (OCO) and Regional Intelligence Liaison Office (RILO). The Section also assists in amendments made to the WCO publications and books.

The Pacific Island Countries Trade Agreement (PICTA) and Pacific Agreement on Closer Economic Relations (PACER) Agreement have been negotiated and agreed on by most Pacific Island countries for implementation. This will allow Pacific Island countries to gradually move towards free trade and slowly integrate our economies hence allowing for optimal utilisation of resources.

Additionally, the Section is responsible for verifying and signing documents for goods exported under preferential Trade Agreements. Examination of goods are also carried out to see that all goods exported under preferential agreements meet the requirements and conditions of individual agreements.

Public Affairs and Marketing Unit

Identified in the Job Evaluation and Restructure Project (JERP) as an essential component to increasing positive awareness, the Public Affairs and Marketing Unit was established in February 2006 with the primary objective of promoting and marketing FIRCA's business to all stakeholders. The Unit is also responsible for identifying and recommending new advertising, creating customer awareness programs, preparing news releases and liaising with media outlets to ensure timely and appropriate coverage of the Authority's activities.

In November 2006, the Unit released its first issue of the internal newsletter, 'FIRCA Info Link'. The newsletter keeps the staff aware of developments and, as a result, links the entire Authority. Still in its infant stage, the Public Affairs & Marketing Unit has been working on several policies to strengthen and determine its scope. The Complaints Policy is one such policy, which is expected to be implemented in 2007.

In accordance with the strategies outlined in the Corporate Plan, the Unit is currently working with the Taxpayer Education and Publicity Unit (TEPU) to update the

Authority's website and hence improve Customer Service.

Research, Planning and Policy Development Unit

The Unit is responsible for the revision of the Corporate Governance Charter, Statement of Corporate Intent and the Corporate Plan 2007-2009 to the Board. The Corporate Plan 2007-2009 was also submitted to and approved by the Minister for Finance.

It also ensures that good Governance is entailed across FIRCA wide and contribute to FIRCA's statutory planning and reporting responsibilities through the provision of timely, contemporary and wide ranging research and development activities. The Unit assists each Division in the preparation of their Divisional and Business Plans, which are used for the purpose of monitoring performance during the course of the year. The Unit is also responsible for compiling the organisation's Half-Year and Annual Reports for the organisation.

Internal Assurance

Ethical Standards Unit

At FIRCA, we have a corporate vision, which we need to honor, guard and respect. Therein lies the task assigned to the Ethical Standards Unit. It is responsible for developing and implementing an ethical code of conduct and behavior for all of FIRCA officers. This Unit ensures that all employees accept personal responsibility for their behavior in compliance with the FIRCA Conduct & Discipline Regulations 2002.

One of the critical areas of our operations is to identify and investigate corrupt activities and act on all forms of complaints against employees for non-compliance of the code of conduct.

In 2006, a total of 23 complaints against employees were investigated for offences relating to breach of standard operating procedures namely forgery, fraud, leakage of confidential information, disrespectful behaviour, insubordination, disorderly and indiscipline behavior, corrupt practices, misappropriation of revenue, abuse of status, improper use of duties etc. Out of this total, fourteen cases were completed while nine cases are pending.

Risk Management Unit

The Risk Management Unit is tasked with identifying all Divisional Risks for the organisation. It also compiles the consolidated Risk Register for FIRCA. During the year the team completed the

documentation of the Risk Management Policy, Risk Management Procedure, and the Risk Management Guide.

Accompanied by the Internal Audit team, the Unit conducted Risk Management training and workshops for the Development Services and Border Control Divisions during the year.

The Team is in the process of completing the Risk Treatment Schedule and Plan for all the Divisions within FIRCA. This is expected to be completed in 2007.

Internal Audit

The Internal Audit Unit currently facilitates and co-ordinates the internal and external audits carried out by Ernst & Young and the Auditor-General's Office respectively. It follows up on the implementation of the Auditors' recommendations. It has also drafted an Internal Audit Charter, which is still in its consultation phase.

Project Management Unit

This Unit has been heavily involved with the new Nasese Headquarters Complex during the past year. The Unit continues to monitor its progress and facilitates the various tenders associated with this project.



LEGAL SERVICES



A FIRCA officer conducts research in the Legal Division library

The Division provides legal advice in the areas of Tax and Customs compliance, as well as on matters relating to staff appointment appeals and disciplinary cases.

It also strives to enforce legislative provisions on compliance, improve FIRCA's legal framework so that it is conducive to the current operating environment and upgrade technical knowledge and professional skills of the lawyers.

The Division works closely with the Risk & Compliance Division on referred audit cases that require legal intervention, whether it is of tax or customs nature. During the year, the Division opened a total of 111 cases, whilst 413 cases were closed which included those brought forward from previous years.

The Division also handles disciplinary cases for breaches of the Code of Conduct: three cases were opened in the year, whilst four have been closed.

It is a responsibility of the Division to ensure the harmonisation of all the FIRCA laws. The Legislation Unit was tasked with this assignment, with the support of a Legislation Technical Committee to obtain the input of the relevant Divisions. The following has been concluded:

- Identification of commonalities in all FIRCA-related legislation in the following areas: Recovery provisions; Assessment provisions; Demand provisions; Refund provisions; Registration provisions; Customs & Excise offences; Vetting of the Fiji Law Reform Commission-compiled Customs Act, Excise Act, Income Tax Act and the VAT Decree; Drafting and attaining the approval of Executive Management on the Concept Paper relating to the FIRCA (Administration) Bill.

Tasks that are ongoing and are to be concluded in early 2007 are:

- Identifying commonalities in the Offences provisions relating to the Income Tax Act, VAT Decree, Gambling Turnover Tax Decree, Hotel Turnover Tax Act. Such identification exercise shall be followed by the transferring of the common administration-related provisions from the respective principal legislation to the FIRCA (Administration) Bill;
- Transferring all administration-related provisions already identified in the areas itemized above, into the FIRCA (Administration) Bill.
- Completing the drafting work for the Interpretation Section (section 2) of the FIRCA (Administration) Bill.

During the year, Staff were sent to attend some conferences, including the Annual Corporate Tax Conference in Sydney and the Attorney General's Annual Conference. Some have also participated in the Fiji Tax Course which is a technical course conducted in-house and aimed at improving the technical knowledge of our tax assessors, auditors and legal officers.

INFORMATION TECHNOLOGY



IT staff carry out server maintenance.

Provides IT support to the various operating arms of the Authority.

The Information Technology (IT) Division continued providing support to the various business arms of the Authority in order to achieve FIRCA's corporate objectives. The Division consists of two teams: Network Administration & Support Services; and Applications Development linked up with the Business Analyst.

The IT Division's organisational structure was finally populated in 2006 and it was particularly pleasing to note that the Division was able to retain all staff with the exception of one resignation in the year.

The Division looks after the entire Information and Communications Technology (ICT) requirements of the Authority and currently manages around 550 workstations, 160 printers, 30 notebooks and 600 telephone handsets scattered throughout the country in over 10 different locations.

There are approximately 780 users that access the various applications that support the range of business activities throughout the organisation.

Applications Development

The two core applications in the Authority are the FITS and the ASYCUDA.

Since the implementation of the FITS, the primary support of the system has been contracted out to an external service provider. Under the Agreement, transfer of skills and responsibilities were to be gradually passed on to the in-house staff but due to manpower shortages over the last few years, this has not been achievable. However, in 2006 when the vacancies within the Division were filled, the support agreement with the external vendor was eventually terminated at its expiry. The FITS application is now being exclusively supported in-house.

During the year, there were various enhancements to the FITS application, the notable ones being:

- Migration of the FITS database from Oracle 8i to Oracle 9i. Planning phase for the migration to Oracle 10g has already commenced;
- Implementation of the Hotel Turnover Tax module;
- Acknowledgement module for Processing and Records Management sections; and
- Enhancement of the Lodgment Enforcement Unit module.

There were many other minor enhancements that were requested and recommended by users, the Applications Development Team and the Business Analyst.

In regards to the ASYCUDA, work on the FITS / ASYCUDA interface is now in the final stages. This is whereby both systems will utilise the Tax Identification Number (TIN) of taxpayers. Currently ASYCUDA uses the Agent, Importer and Exporter (AIE) Code as the unique identifier.

In 2006, an ASYCUDA Working Group was established to coordinate and resolve ASYCUDA related issues. This group worked closely with the IT Division to implement and resolve various ASYCUDA issues.

The Applications Development Team has carried out various tests in preparation to migrate ASYCUDA from SCO Unix to the Linux operating environment which will ensure improved administration, performance and response times.

Network Administration & Support Services

The Division's PC Replacement Program continued which saw a further 100 obsolete workstations being replaced while a further 100 have been approved and expect to be

replaced in the first quarter of 2007.

In order to ensure efficient delivery of IT services, Phase II of the Server Replacement Program was initiated and has been approved with delivery expected in February/ March 2007.

This will see the delivery of 15 Blade Servers and additional Storage systems. The new servers and additional storage will be utilised to migrate applications from the highly unsupported legacy hardware platforms. This will also lay the foundation for a new infrastructure that will enhance performance, administration and efficiency.

The Division is also targeting the improvement of FIRCA's network infrastructure. The equipment purchase has been approved and delivery is expected in the first quarter of 2007. This will ensure the replacement and upgrade of outdated equipment, improved efficiency and the removal of various network traffic bottlenecks.

In 2006, the Division also upgraded the Uninterruptible Power Supply (UPS) systems in the Dominion House Server Room and replaced the systems at FIRCA offices at Nadi and Nausori Airports. The UPS systems will now ensure that International arrivals and departures will operate for at least 60 minutes in case of power failures at both airports. In addition, the Dominion House UPS system will also be able to support the systems for at least 30 minutes.

The development of the new helpdesk system coupled with a dedicated Helpdesk person has enabled the Division to enhance its services. The new system provides a history of the problems received by the Division and users are being encouraged to use it as it also enables them to view and track the progress of their problem logs.

The other major initiative of the Division was the Data Warehousing / Mining project which was well on target for implementation in 2006. However, the project was put on hold pending the Board's directive for a complete review of FIRCA's systems and business processes, which is expected to take place in 2007.



A CCTV terminal at Kings Wharf

FINANCE



Staff of the Finance Division

Manages and enhances Financial Operating Systems and Processes.

The Finance Division continued to enhance financial operation systems and processes by means of adopting best practices, establishing an effective asset monitoring system, providing efficient payroll services and ensuring that funds are available for operations. Capital needs were also provided for in accordance with the budget.

The Division is responsible for continuously improving revenue collection reports and ensures compliance with statutory requirements at all times. Above all, the Finance Division ensures that all financial transactions are in accordance with FIRCA's Finance and Accounting Directions and the Fiji Accounting Standards. The Division also provides secretariat services to the Major Tender Board, ensuring that tenders are carried out in a transparent manner adhering to established procedures and guidelines.

The Financial Reports prepared by the Division have been audited and forms the second part of this Annual Report.

FINANCIAL REPORTS



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MEMBERS' REPORT | AS AT 31 DECEMBER 2006

In accordance with a resolution of the Authority, the members herewith submit the Statement of Financial Position and Statement of Changes in Equity of the Authority as at 31 December 2006, and the related Financial Performance and Cash Flow Statements for the year then ended and report as follows:

THE NAMES OF THE MEMBERS OF THE AUTHORITY IN OFFICE AT THE DATE OF THIS REPORT

Mr. Peceli Vocea (Chairman from March 19, 2007 to date)
 Mr. Nelson Delailomaloma (Member from Feb. 7, 2002 to Jan. 23, 2005) (Chairman from Jan. 24, 2005 to Dec. 31, 2006)
 Mr. Rigamoto Taito (from February 7, 2002 to December 31, 2006)
 Mr. Sekonaia Tui Mailekai (from January 1, 2003 to date)
 Ms. Anjnish Jokhan (from June 8, 2005 to date)
 Mr. Paula Uluinaceva (from January 1, 2006 to December 2006)
 Dr. Biman Prasad (from November 15, 2005 to date)

PRINCIPAL ACTIVITIES

The principal activities of the Authority during the year were to act as the Agent of the State in the provision of taxation and customs services.

OPERATING RESULTS

The net surplus of the Authority for the year was \$2,588,499 compared to \$2,837,634 for 2005.

BAD AND DOUBTFUL DEBTS

Prior to the completion of the Authority's financial statements, the members took reasonable steps to ascertain that action had been taken in relation to writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate provisions made for doubtful debts.

As at the date of this report, the members are not aware of any circumstances which would render the amount written off as bad debts, or the provision for doubtful debts inadequate to any substantial extent.

CURRENT ASSETS

Prior to the completion of the financial statements of the Authority, the members took reasonable steps to ascertain whether any current assets were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Authority. Where necessary, these assets have been written down or adequate provision has been made to bring the values of such assets to an amount that they might be expected to realise.

As at the date of this report, the members are not aware of any circumstances which would render the values attributed to current assets in the Authority's financial statements misleading.

UNUSUAL TRANSACTIONS

Apart from matters specifically referred to in the financial statements, in the opinion of the members, the results of the operations of the Authority during the financial year were not substantially affected by any item, transaction or event of a material unusual nature, nor has there arisen between the end of the financial year and the date of this report any item, transaction or event of a material unusual nature likely, in the opinion of the members, to affect substantially the results of the operations of the Authority in the current financial year, other than those reflected in the financial statements.

EVENTS SUBSEQUENT TO BALANCE DATE

There were no events subsequent to balance date that materially affect the financial statements , except for those already noted in the accounts.

OTHER CIRCUMSTANCES

As at the date of this report:

- a) No charge on the assets of the Authority has been given since the end of the financial year to secure the liabilities of any other person;
- b) No contingent liabilities have arisen since the end of the financial year for which the Authority could become liable; and
- c) No contingent liabilities or other liabilities of the Authority have become or are likely to become enforceable within the period of twelve months after the end of the financial year, which in the opinion of the members, will or may substantially affect the ability of the Authority to meet its obligations as and when they fall due.

As at the date of this report, the members are not aware of any circumstances that have arisen, not otherwise dealt with in this report or the Authority's financial statements, which would make adherence to the existing method of valuation of assets or liabilities of the Authority misleading or inappropriate.

MEMBERS' BENEFIT

Since the end of the previous financial year no member has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by members) by reason of a contract made by the Authority with the member or with a company/firm which he or she is a partner, or in which he or she has a substantial financial interest.

For and on behalf of the Authority :



.....
Chairman

18 April 2007

STATEMENT BY THE MEMBERS | AS AT 31 DECEMBER 2006

In accordance with a resolution of the members of the Fiji Islands Revenue & Customs Authority, we state that:

In the opinion of the members:

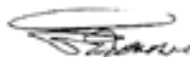
- i) The accompanying Statement of Financial Position and Statement of Changes in Equity of the Authority are drawn up so as to give a true and fair view of the state of affairs of the Authority as at 31 December 2006.
- ii) The accompanying Statement of Financial Performance of the Authority is drawn up so as to give a true and fair view of the results of the Authority for the year ended 31 December 2006;
- iii) The accompanying Statement of Cash Flows is drawn up so as to give a true and fair view of the cash flows of the Authority for the year ended 31 December 2006;
- iv) At the date of this statement there are reasonable grounds to believe that the Authority will be able to pay its debts as and when they fall due; and
- v) All related party transactions have been adequately recorded in the books of the Authority.

Dated at Suva this 19th day of April 2007.

For and on behalf of the Authority and in accordance with a resolution of the members.



.....
Member



.....
Member

INDEPENDENT AUDIT REPORT



8th Floor, Ratu Sukuna House,
MacArthur Street,
P.O. Box 2214,
Government Buildings
Suva, Fiji Islands

REPUBLIC OF THE FIJI ISLANDS

OFFICE OF THE AUDITOR GENERAL

ACCOUNTABILITY IN THE PUBLIC SERVICE SECTOR THROUGH QUALITY AUDIT SERVICES



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INDEPENDENT AUDIT REPORT

FIJI ISLANDS REVENUE AND CUSTOMS AUTHORITY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

Scope

I have examined the financial statements of the Fiji Islands Revenue and Customs Authority for the year ended 31 December 2006 in accordance with the Fiji Islands Revenue and Customs Authority Act, the Income Tax Act and the VAT Decree. The authority is responsible for the preparation and presentation of the financial statements and the information they contain.

I have conducted an independent audit of these financial statements in order to express an opinion on them.

My audit has been conducted in accordance with the Fiji Standard on Auditing to provide reasonable assurance as to whether the financial statements are free of material misstatement. The audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether in all material respects, the financial statements are presented fairly in accordance with the Fiji Accounting Standards and statutory requirements so as to present a view which is consistent with my understanding of the Authority's financial position, changes in equity and the results of its operations and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial statements present fairly in accordance with the Fiji Accounting Standards, the financial position, changes in equity and cash flows of the Fiji Islands Revenue and Customs Authority as at 31 December 2006 and the results of its operations for the year then ended.

Without further qualification to the opinion above, attention is drawn to the following matter:

- the correctness of the revenue collected by the Authority on behalf of the State as shown in Note 12 cannot be substantiated as the audit was denied access to taxpayer records, contrary to section 111 of the Income Tax Act and Section 7(2)(a) of the Audit Act (Cap 70); and the denial of access to records cannot be rectified by Note 12, contrary to Fiji Accounting Standard 1 *Presentation of Financial Statements*.

I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purposes of my audit.

Eroni Vatuloka
AUDITOR GENERAL

20 April 2007
Suva, Fiji

STATEMENT OF FINANCIAL POSITION | AS AT 31 DECEMBER 2006

SCHEDULE 1


	Notes	31-Dec 2006 \$	31-Dec 2005 \$
ACCUMULATED FUNDS	(refer schedule 3)	14,920,836	12,366,974
CURRENT ASSETS			
Cash at Bank	(refer schedule 4)	4,542,789	1,083,242
Receivables	4	661,160	1,502,641
Prepayments		265,975	487,635
Investments	5	11,300,000	5,014,851
TOTAL CURRENT ASSETS		16,769,924	8,088,369
NON-CURRENT ASSETS			
Property, Plant and Equipment	6	9,098,721	10,205,588
TOTAL NON-CURRENT ASSETS		9,098,721	10,205,588
TOTAL ASSETS		25,868,645	18,293,957
CURRENT LIABILITIES			
Creditors and Accruals	7	2,154,428	2,028,810
Provision	8	1,759,526	1,526,496
TOTAL CURRENT LIABILITIES		3,913,954	3,555,306
NON-CURRENT LIABILITIES			
Grant Received in Advance	9	5,053,842	511,656
Deferred Grant Income	10	1,980,013	1,860,021
TOTAL NON-CURRENT LIABILITIES		7,033,855	2,371,677
TOTAL LIABILITIES		10,947,809	5,926,983
NET ASSETS		14,920,836	12,366,974

The accompanying notes form an integral part of these financial statements.

These financial statements are approved in accordance with a resolution of the members of the Authority.

Member 

Date: 19th April 2007

Member 

Date: 19th April 2007

STATEMENT OF FINANCIAL PERFORMANCE | AS AT 31 DECEMBER 2006

SCHEDULE 2

	Notes	31-Dec 2006 \$	31-Dec 2005 \$
REVENUE			
Grants from Government	13	28,741,093	26,632,973
Fees and Charges	14	3,399,959	3,109,289
Recoupment of Depreciation through Grants	10	706,708	871,138
Sundry Income	20	1,345,935	102,616
Gain on Disposal of Asset		26,615	-
TOTAL REVENUE		34,220,310	30,716,016
EXPENSES			
Employee Costs	15	22,283,989	18,443,486
Administrative Expenses	16	1,951,955	2,145,422
Other Operating Expenses	18	2,810,658	2,929,588
Property Expenses	19	2,331,763	2,181,492
Depreciation	6	2,145,543	2,174,112
Loss on Disposal of Assets		-	4,282
Non Operating Expenses	17	107,903	-
TOTAL EXPENSES		31,631,811	27,878,382
NET SURPLUS	(refer schedule 3)	2,588,499	2,837,634

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY | FOR THE YEAR ENDED 31 DECEMBER 2006

SCHEDULE 3

	Notes	31-Dec 2006 \$	31-Dec 2005 \$
ACCUMULATED FUNDS			
Restated Balances as at 1 January	11	11,051,432	8,248,435
Add: Net Surplus		2,588,499	2,837,634
		13,639,931	11,086,069
Add: Asset Revaluation Reserve		1,280,905	1,280,905
TOTAL ACCUMULATED FUNDS		14,920,836	12,366,974

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS | FOR THE YEAR ENDED 31 DECEMBER 2006

SCHEDULE 4

	Notes	31-Dec 2006 \$	31-Dec 2005 \$
Cash flows from operating activities			
Amount Received from Government		28,408,889	26,300,768
Amount Received for Services Provided		3,691,530	4,185,797
Payments to Suppliers & Employees		(28,683,395)	(25,280,413)
Net Cash provided by Operating Activities		3,417,024	5,206,152
Cash Flows from Investing Activities			
Purchase of Fixed Assets		(1,042,814)	(1,128,912)
Interest from Investment		1,052,157	24,663
Proceeds from Sale of Assets		33,180	(5,014,851)
Net Cash/(used in) Investing Activities		45,523	(6,119,100)
Net Increase/(Decrease) in Cash Held		3,459,547	(912,948)
Cash at the Beginning of the Year		1,083,242	1,996,190
Net cash at the end of the year	21	4,542,789	1,083,242

The accompanying notes form an integral part of these financial statements.

1. PRINCIPAL ACTIVITIES

The principal activities of the Authority during the year were to act as the Agent of the State in the provision of taxation and customs services, particularly revenue collection and border management.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been drawn up in accordance with Fiji Accounting Standards. The principal accounting policies adopted by the Authority are stated to assist in the general understanding of these financial statements. The accounting policies adopted are consistent with those of the previous year except when stated otherwise.

a) Basis of Accounting

The financial statements have been prepared in accordance with the historical cost conventions. The accounting policies described below do not take into account changes in either the general purchasing power of the dollar or in the prices of specific assets except for properties which are stated at valuation.

All amounts are stated in Fijian currency.

The Authority uses Accrual Method of Accounting.

b) The Authority as the Agent of the State

All funds utilised by the Authority through various branches to carry out its functions as the Agent of the State have been included in the financial statements. As the Authority acts as the Agent of the State, it administers, but does not control, funds collected on behalf of the Fiji Islands Government. The Authority is accountable for transactions involving those resources, but does not have the discretion to deploy the resources for the achievement of its objectives. Government transactions include taxes and customs duties. Government revenue is recognised on receipt (cash basis).

c) Deferred Grant Income

Government grants are recognised in the Statement of Financial Performance over the periods necessary to match them with the related costs which the grants are intended to compensate. The cost of assets funded by grants are capitalised to fixed assets and the corresponding credit is taken as a deferred grant income.

The fixed assets are depreciated over their estimated useful lives.

The benefit arising from the grants being the recoupment through depreciation, is credited to revenue over the period of the useful lives of those assets.

d) Depreciation of Property, Plant and Equipment

Property, plant and equipment (except land) are depreciated at the rates based upon their expected useful lives using the Straight Line Method:

	Period	Rate
Buildings	20 - 25 years	4 - 5 %
Motor Vehicles	3 - 5 years	20%
Office Equipment	3 - 4 years	33%
Furniture & Fittings	5 years	20%
Computer Hardware	2 - 4 years	33%
Computer Software	3 - 4 years	33%

Profits and losses on disposals of property, plant and equipment are taken into account in determining the results for the year.

e) Provision for Employee Entitlements

Liabilities for salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

A liability for long service leave is recognised when an employee serves the qualifying period and is calculated on current pay rates.

The cost of sick leave is met as it emerges and, as unused yearly entitlement lapses, no provision is made in the accounts of the Authority for any outstanding liability.

f) Revenue

Revenue comprises grants provided by the Government for agency services and fees and charges for services provided by the Authority.

g) Revenue Recognition

Revenue from fees and charges is recognised at the time the service is provided by the Authority.

h) Value Added Tax

All items in the financial statements are exclusive of VAT, with the exception of Trade Creditors which are stated as VAT inclusive.

3. COMPARATIVES

Where necessary, comparative figures have been adjusted to conform with changes in the presentation of the financial statements.

4. RECEIVABLES

	31 December 2006	31 December 2005
	\$	\$
Debtors - Fees and Charges	326,714	361,993
Deposits	111,437	157,787
Rental Deposits	99,430	77,710
Interest Receivable	98,402	4,194
Staff Advance	25,177	52,292
Business Advance	-	4,978
VAT Receivable	-	843,687
Total Receivables	661,160	1,502,641

5. INVESTMENTS

Investments as at balance date comprised of short term money placements ranging from one week to one month.

SCHEDULE 5

6. **PROPERTY, PLANT AND EQUIPMENT**

			31-Dec 2006 \$	31-Dec 2005 \$
	Addition for 2006	Disposal/ Transfer for 2006	Cost at the End	Cost at the End
Building	36,420	65,700	6,788,942	6,686,822
Computer Hardware	490,933		1,224,635	733,702
Office Equipment	149,718	(131,107)	4,937,022	4,918,411
Furniture & Fixtures	56,339		803,232	746,893
Land			1,015,000	1,015,000
Motor Vehicles	128,889	(208,606)	1,370,516	1,450,233
Computer Software	32,004		3,309,990	3,277,986
Capital Works in Progress	160,664	-65,700	158,039	63,075
Total	1,054,967	-339,713	19,607,376	18,892,122
	Depreciation for 2006	Depreciation on Disposal	Acc Dep at the End	Acc Dep at the End
Building	184,060		531,396	347,336
Computer Hardware	398,399		602,431	204,032
Office Equipment	304,549	(126,912)	4,696,233	4,518,596
Furniture & Fixtures	64,878		637,180	572,302
Motor Vehicles	258,805	(196,510)	853,732	791,437
Computer Software	934,852		3,187,683	2,252,831
Total	2,145,543	(323,422)	10,508,655	8,686,534
			Written Down Value	Written Down Value
Building			6,257,546	6,339,486
Computer Hardware			622,204	529,670
Office Equipment			240,789	399,815
Furniture & Fixtures			166,052	174,591
Land			1,015,000	1,015,000
Motor Vehicles			516,784	658,796
Computer Software			122,307	1,025,155
Capital Works in Progress			158,039	63,075
Total			9,098,721	10,205,588

The Principal Land Valuer, Ministry of Lands during May 2000 valued the following properties:

		31-Dec 2006 \$	31-Dec 2005 \$
1	(a) Suva Customs Office & Warehouse with Land (old building)	1,008,332	1,008,332
	(b) Suva Customs Office Renovation	2,629,723	2,629,723
	(c) Flying Angel Building & Warehouse Renovation	20,307	-
2	(a) Nadi Airport Customs Office with Land	450,000	450,000
	(b) Air Freight Service Renovation	2,222	-
3	(a) Lautoka Customs Office with Land	600,000	600,000
	(b) Lautoka New Building	1,385,708	1,385,708
	(c) Lautoka Old Building Refurbishment	1,628,059	1,628,059
	(d) Lautoka Renovation	13,891	-
	Total Value	7,738,242	7,701,822

Land and buildings [other than the Suva Customs Renovation 1(b), Flying Angel Building & Warehouse Renovation 1(c), Air Freight Service Renovation 2(b), Lautoka New Building 3(b), Lautoka old Building Refurbishment 3(c) and Lautoka Renovation 3(d)] are stated at revalued amounts as determined by an independent registered valuer in May 2000. They would be revalued every five years. All other fixed assets, or groups of assets forming part of a network or which are material in aggregate, costing more than \$500 are capitalised.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

SCHEDULE 5

7. CREDITORS AND ACCRUALS

	31-Dec 2006 \$	31-Dec 2005 \$
CREDITORS AND ACCRUALS	2,154,428	2,028,810

8. PROVISIONS FOR EMPLOYEE ENTITLEMENTS

Employee entitlements represent annual and long service leaves accrued as at 31 December 2006.

Annual Leave	1,122,650	946,765
Long Service Leave	636,876	579,731
Total Employee Entitlement	1,759,526	1,526,496

9. GRANT RECEIVED IN ADVANCE

Opening Balance at the beginning of the year	511,656	511,656
Add: Capital Grant 2006	5,368,889	
Less: Fixed Assets purchased during the year	<u>(826,703)</u>	-
Total Grant Received in Advance	5,053,842	511,656

The opening balance is the remaining balance from the \$1.5m that was sought from the Ministry of Finance for the purchase of capital items in 2003. The balance is to be used for Data Warehousing.

SCHEDULE 5

10. DEFERRED GRANT INCOME

		31-Dec 2006 \$	31-Dec 2005 \$
Building	Cost	-	-
	Additions during the year	85,472	-
	Depreciation recoupment	(3,061)	-
	Deferred Grant	82,411	-
TISP/FITS	Cost	866,406	1,293,144
	Additions during the year	446,912	-
	Depreciation recoupment	(403,374)	(426,737)
	Deferred Grant	909,944	866,407
Motor Vehicles	Cost	185,500	231,874
	Additions during the year	128,889	-
	Depreciation recoupment	(49,989)	(46,375)
	Deferred Grant	264,400	185,499
Furniture & Fittings	Cost	179,441	267,822
	Additions during the year	44,144	-
	Depreciation recoupment	(38,031)	(88,381)
	Deferred Grant	185,554	179,441
Office Equipment	Cost	628,673	938,319
	Additions during the year	121,284	-
	Depreciation recoupment	(212,253)	(309,645)
	Deferred Grant	537,704	628,674
Total Depreciation Recoupment		706,708	871,138
Total Deferred Grant Income		1,980,013	1,860,021

11. ACCUMULATED FUNDS

Balance as at 1 January	11,086,069	8,516,546
Add: Prior Year Adjustments		
Salary Advance Adjustments	(15,578)	8,839
Payments for Prior Years for Staff & Creditors	-	(286,662)
Projects for Prior Years Transferred to Expenses	-	(35,287)
Prior Year Expense Refund	-	2,107
Creditors Reversed	11,677	43,678
Basic Training Payment	(2,992)	-
Entertainment Expenses	(109)	-
Salary Adjustments	11,554	-
Outgoings for Previous Years	(39,593)	-
Accommodation Adjustment	(176)	-
Interest Adjustment for 2005	518	-
Motor Vehicle adjustment	62	-786
Total Prior Year Adjustments	(34,637)	(268,111)
Restated 1 January Balance	11,051,432	8,248,435

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

SCHEDULE 5

12. AGENCY TRANSACTIONS ADMINISTERED FOR THE FIJI ISLANDS GOVERNMENT

	31-Dec 2006 \$	31-Dec 2005 \$
(a) GOVERNMENT REVENUE		
The Authority is responsible for the collection of the following revenues which are deposited directly by the Authority into the Government's Consolidated Fund.		
The Authority does not receive these funds in its bank account. Government revenue is recognised on receipt.		
Customs Collection	317,511,577	308,120,464
Less: Rebates	(7,085,252)	(7,047,621)
	310,426,325	301,072,843
Inland Revenue Collection	462,964,088	380,879,115
Less: Refunds	(44,000,141)	(33,603,200)
	418,963,947	347,275,915
Value Added Tax	610,358,515	569,191,403
Less: Refunds	(140,599,554)	(152,963,873)
	469,758,961	416,227,530
TOTAL GOVERNMENT REVENUE	1,199,149,233	1,064,576,288

(b) GOVERNMENT ASSETS - DEBTORS

The balance outstanding as at 31 December 2006 of \$170,440,587 consisted of revenue arrears as follows:

Income Tax	105,705,051	53,815,377
Value Added Tax	64,735,536	68,520,237
Total Arrears	170,440,587	122,335,614

The above amounts include penalties that may be waived and balances that may be disputed by taxpayers.

The Authority is actively analysing all arrears with a view to recommending write-off and making provision for doubtful debts.

(c) GOVERNMENT LIABILITIES

VAT Refund Outstanding	34,749,613	10,823,770
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The Auditor-General has stated in his Independent Audit Report that: "the correctness of the revenue collected by the Authority on behalf of the State as shown in Note 12 cannot be substantiated as the audit was denied access to taxpayer records, contrary to section 111 of the Income Tax Act and section 7(2)(a) of the Audit Act (Cap 70)." However, FIRCA is legally bound by the Income Tax Act (ITA) and section 4(1) of the ITA requires that "every person required by the Commissioner to perform any special duty or having any official duty in or being employed in the administration of this Act shall regard and deal with all documents, returns, assessments and information relating to the income or items of income of any person as secret and confidential and shall take an Oath ... before performing any duty under this Act and such oath may be administered by a magistrate." Further, section 4(5) of the ITA states that "the Auditor-General exercising the powers and performing the duties imposed upon him by the provisions of section 111, shall be deemed to be an officer employed in carrying out the provisions of this Act for the purposes of this section." FIRCA's position therefore is that, it has no objection to the Office of the Auditor-General having access to the required records provided its officers take the oath of secrecy as required by the Income Tax Act.

SCHEDULE 5

13. GRANTS

	31-Dec 2006 \$	31-Dec 2005 \$
Cash Grants from Government	28,408,888	26,172,798
Cash Grant from AusAID	-	127,970
Grant in Kind - Rent paid by Lands Department	332,205	332,205
Net Grant received from Government	28,741,093	26,632,973

In accordance with Fiji Accounting Standards (FAS 20), Government Grants received for the purchase of Fixed Assets are accounted as Deferred Income. Grants from Government include monthly operating funds remitted to the Authority.

14. FEES AND CHARGES

These are revenues earned from services rendered by the Authority, which are collected with other revenues and lodged into the Government Consolidated Fund. The Ministry of Finance reimburses these funds to the Authority during the year.

FEES & CHARGES**3,399,959****3,109,289****15. EMPLOYEE COSTS**

Salaries and Wages

18,102,175

13,745,736

FNPF, Overtime, Allowances & Bonuses

3,009,429

3,344,944

Annual and Long Service Leave

820,921

756,327

Training and Professional Development

285,686

318,496

Recruitment, Transfer & Others

65,778

277,983

Total Employee Costs**22,283,989****18,443,486****16. ADMINISTRATIVE EXPENSES**

Communications

1,103,920

1,286,853

Electricity, Water & Power Supply

381,338

358,816

Travel and Accommodation

282,217

351,182

Contributions to ASMP, WCO & CATA

184,480

148,571

Total Administrative Expenses**1,951,955****2,145,422****17. NON-OPERATING EXPENSES**

The Authority hosted the 8th Annual Oceania Customs Organisation conference that was held in Fiji in March 2006. Non-operating expenses refer to the expenses incurred by the Authority in hosting the event.

107,903**-**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

SCHEDULE 5

18. OTHER OPERATING EXPENSES

	31-Dec 2006 \$	31-Dec 2005 \$
Insurance	681,561	343,667
Computer Maintenance/Software Licences	657,133	658,666
Stationery & Supplies	326,382	240,900
Vehicle Services & Maintenance	193,168	162,698
Training Levy	181,022	137,535
Consultancy/Special Projects	177,308	696,855
Legal Fees	118,662	239,102
Audit Fees	89,346	76,975
Advertising/Public Education	87,543	108,561
Books, Periodicals, Publication	79,261	41,817
Staff Appeal	58,877	38,884
Uniforms	46,745	58,325
Directors Fees	46,515	31,564
Entertainment	20,335	42,167
Minor Assets	15,322	-
Bank Fees	13,314	11,740
Annual Staff Function Day	10,000	10,000
Taxi/Freight	7,241	24,762
Tax Agents Board Expenses	873	5,370
Rewards	50	-
Total Other Operating Expenses	2,810,658	2,929,588

19. PROPERTY EXPENSES

This includes rent for staff quarters, office space and building maintenance

Office Rent	1,426,086	1,305,493
Staff Quarters	721,275	548,913
Office Maintenance	184,402	327,086
Total Property Expenses	2,331,763	2,181,492

20. SUNDRY INCOME

Interest on Investment	1,150,559	43,709
Training Reimbursement	147,245	33,366
Tax Agents Board Revenue	-	3,765
Others	48,131	21,776
Total Sundry Income	1,345,935	102,616

SCHEDULE 5

21. RECONCILIATION OF CASH

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in banks.

	31-Dec 2006 \$	31-Dec 2005 \$
Operating Account - ANZ	4,122,985	114,410
Fees and Charges - ANZ	402,907	465,039
Operating account - CNB	15,707	502,843
Petty Cash	1,190	950
<i>Cash on hand and in Banks</i>	4,542,789	1,083,242

22. CAPITAL COMMITMENTS

There were no capital commitments existing at balance date.

23. CONTINGENT LIABILITIES

There were no contingent liabilities existing at balance date.

24. MEMBERS' REMUNERATION

	31-Dec 2006 \$	31-Dec 2005 \$
<i>Annual fees paid to members for their services.</i>	46,515	31,564

25. RELATED PARTY TRANSACTIONS

All transactions that occurred between the Authority and companies or organizations in which a member may have an interest, either as a member or employee, were at 'arms length' and in the normal course of business.



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CUSTOMS SERVICE

Suva

General Office: Rodwell Road, Suva
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Toll Free Line: (679) 331 7070

Lautoka

General Office: Tavewa Avenue, Lautoka
Telephone: (679) 666 0966
Fax: (679) 666 5961

Nadi

Nadi Airport
Telephone: (679) 672 2122
Fax: (679) 672 5390

Levuka

Telephone: (679) 344 0008
Fax: (679) 344 0425

Savusavu

Telephone: (679) 885 0727
Fax: (679) 885 0728

Nausori

Air Services Office
Telephone: (679) 347 8299

INLAND REVENUE SERVICE

Suva

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Thurston Street, Suva

All Income Tax and VAT Enquiries
Toll Free Line: 0800 331 7834
Phone: (679) 331 2800
Fax: (679) 330 4936
or: (679) 330 2130

RISK & COMPLIANCE DIVISION

Suva

Ro Lalabalavu House, Vistoria Parade, Suva
All Compliance, Debt Management &
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Lautoka

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Labasa

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Artisit Impressions of FIRCA's new office premises.

