

FIJI ISLANDS REVENUE & CUSTOMS AUTHORITY



CORPORATE PLAN 2008 - 2010

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1.0 INTRODUCTION

FIRCA was established as a statutory authority under the Fiji Islands Revenue & Customs Authority Act 1998 and encompasses the operations of the former Fiji Islands Inland Revenue Service and the Fiji Islands Customs Service. FIRCA commenced operations on January 01, 1999.

The organisation has been undergoing a series of change since its establishment, under the guidance of the FIRCA Board and, in accordance with the Government's strategic direction for the Authority.

This Corporate Plan has been developed in consultation with FIRCA Management and Staff throughout the country, and has been aligned to the expectations of the current Government and the Board.

In the recent past two years the Authority has been focusing on four Key Result Areas. However, this has now been increased to six, as the Authority is reviewing its focus. Nevertheless, it should be noted that some strategies highlighted in the past two years' Corporate Plan do take time to implement and some are affected by external factors which delays their implementation, hence these are reflected again this new Corporate Plan.

The strategies identified in this three-year plan were determined under a number of assumptions, keeping in mind the operational constraints and challenges the organisation would encounter. Furthermore, there had to be a review of the current year's results to assess achievements and decide areas for improvements for the new plan period.

It must be noted that the operations of the Authority, hence this Corporate Plan is guided by the over-arching legislation for the organization, which is the FIRCA Act. The Act specifies the following functions of the organisation:

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

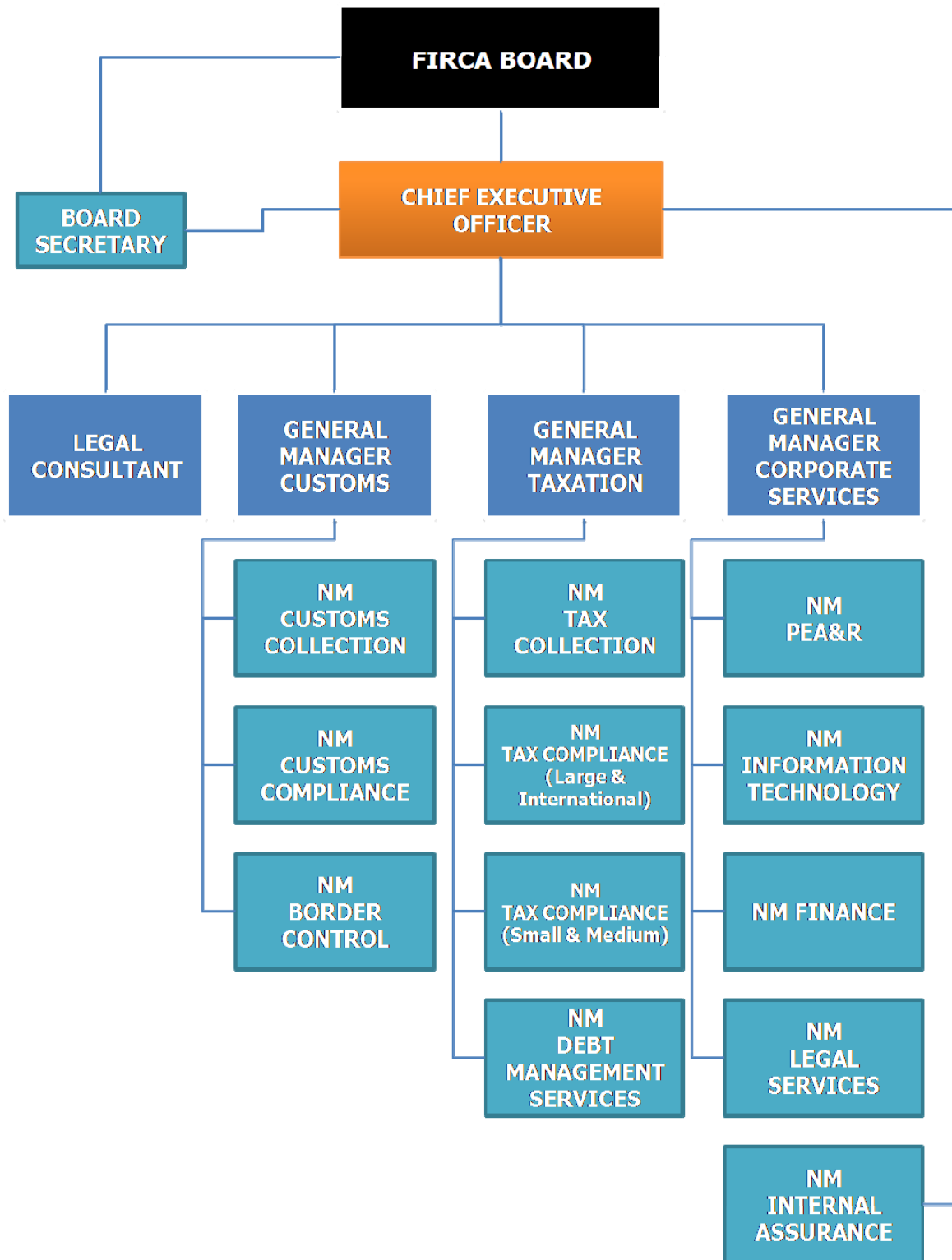
Furthermore, the Authority's operations will continue to be within the ambits of the following legislation that the organisation administers:

- i.) Income Tax Act (Cap 201);
- ii.) Land Sales Act (Cap 137);
- iii.) Customs Act 1986;
- iv.) Customs Tariff Act 1986;
- v.) Excise Act 1986;
- vi.) Gambling Turnover Tax Decree 1991;
- vii.) Value Added Tax Decree 1991;
- viii.) Merchandise Marks Act (Cap 241);
- ix.) Wreck and Salvage Act (Cap 198); and
- x.) Hotel Turnover Tax Act 2006.

The current restructuring of the organisation will not affect the performance of functions stipulated in the statutes outlined above. The re-organisation is aimed at streamlining operations, improve operational efficiencies and enhance productivity. The Board has approved the reduction of the number of Divisions from seven to three. The new structure is shown in the next page.

The organisation, like any other, has to identify a number of Key Performance Indicators and Targets, that will enable assessment of performance. This Corporate Plan encompasses this performance management mechanism and has listed a number of financial and non-financial measures.

FIRCA ORGANIZATION STRUCTURE (REVISED)



2.0 REVIEW OF PAST PERFORMANCE

Revenue Collection

Revenue collected by FIRCA has contributed to more than 85% of total Government revenue in the past five years. At the end of November 2007, FIRCA had collected **\$1,086.9 million**, which is about 83% of the total annual (revised) forecast. Figure 1 below illustrates the trend in revenue collection in the last three years, and the forecast for 2007.

Figure 1: Revenue Collection for years 2004 – 2006

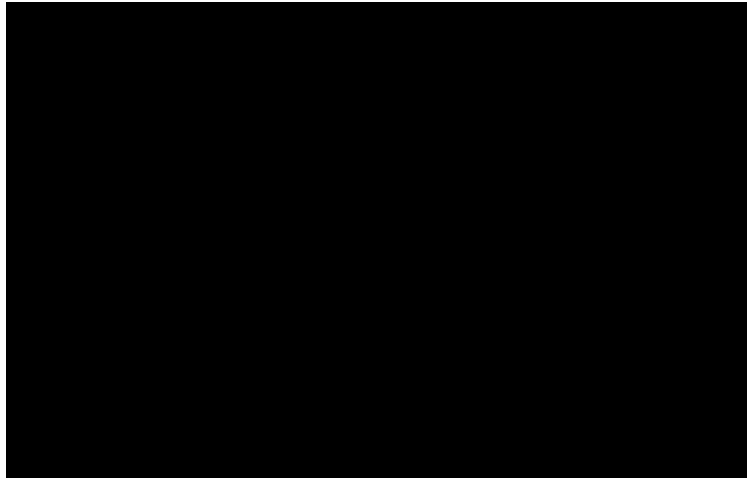
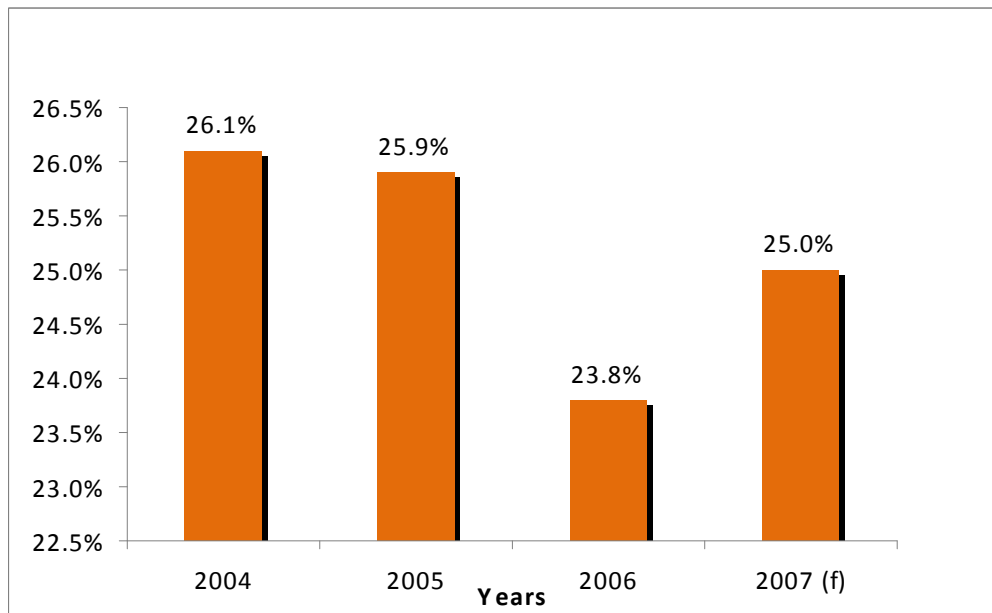


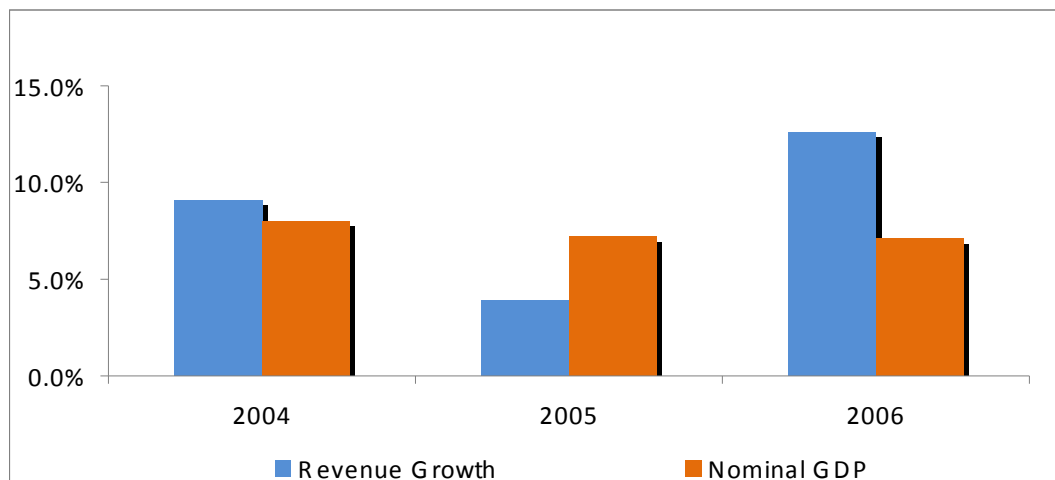
Figure 2 illustrates the trend in ratio of revenue collections to Gross Domestic Product (GDP).

Figure 2: Ratio of Revenue Collection to GDP



The growth in revenue compared to nominal GDP growth is illustrated in the Figure 3 below.

Figure 3: Revenue Growth to Nominal GDP Growth



The major revenue categories are Income Tax, Value Added Tax, Customs Revenue, and the newly implemented Hotel Turnover Tax. The table below shows the amount of revenue collected by revenue type and their respective contribution to total revenue. The VAT rate remains at 12.5%.

Table 1: Proportion of Revenue Collection by Type

Revenue Type	2004		2005		2006		2007		
	\$ m	%	\$ m	%	\$ m	%	\$ m (f)	\$ m (actual Jan –Nov)	%
Value Added Tax	411.2	40.1	416.2	39.1	469.7	39.2	517.9	407.7	37.5
Income Tax	316.7	30.9	347.3	32.6	410.6	34.2	430.6	378.2	34.8
Customs Revenue	296.5	28.9	301.1	28.3	310.1	25.9	345.1	288.7	26.6
Hotel Turnover Tax					8.4	2.7	16.8	12.4	1.1
Total Revenue	1024.4	100.0	1064.6	100.0	1198.8	100.0	1,310.3	1,087	100

Note: 2007 Mini-Budget forecast figure for 2007 used

One of FIRCA's biggest challenges every year is to collect all the revenue due to the Government. Figure 4 below shows tax arrears in the last three years whilst Figure 5 shows the cost of collection.

Figure 4: Annual Tax Arrears: 2004 – 2006

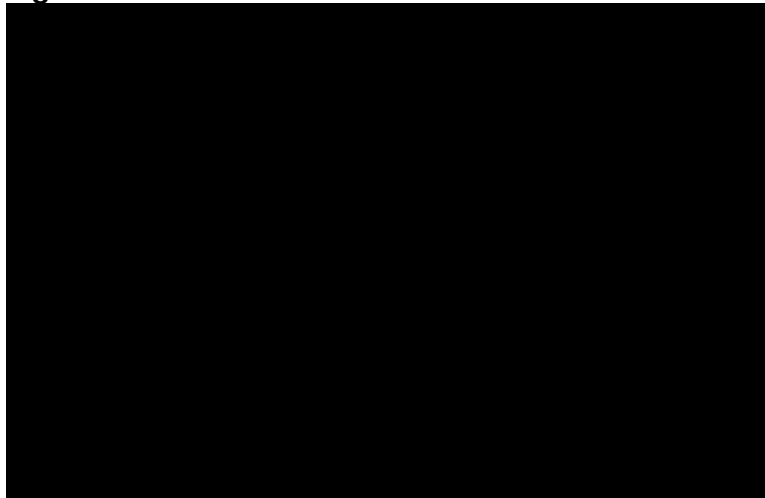
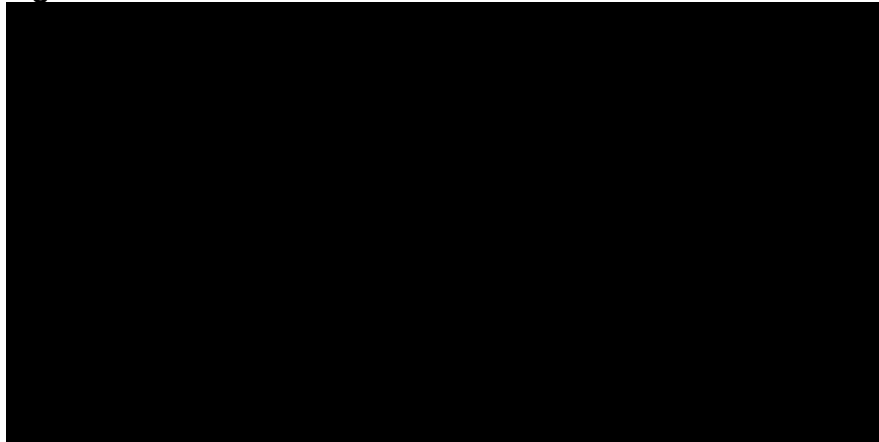


Figure 5: Cost of Collections: 2004 – 2007



Operational Efficiency

The Authority receives an annual grant from the Government to finance its operations. This is supplemented with other income from fees and charges. In the last three years, the Authority's average income (grant plus fees and charges) was \$27.7 million. Net Surplus over the same period grew from \$1.5 million to \$2.8 million.

The Authority's net assets grew by an average of 34% per annum, from \$7.3 million in 2003 to \$14.9 million at the end of 2006.

Other Achievements

During the first six-months of 2007, the Board, Executive Management and Staff were engaged in several activities.

Launching of the FIRCA Website

The organization's website was revamped and launched in April this year. This was in line with the Authority's objective to improve communication of information with the general public and stakeholders.

Establishment of Off-site Record Storage

The Authority has secured a lease for this purpose in Nakasi. Movements of records have commenced. The site is also being used to store seized goods that are to be auctioned.

Special Projects Team To Audit High Risk Areas

The Special Project Team continued to carry out auditing of land dealings and property sites, Transfer Pricing, Tax Avoidance and E-commerce. With the limited resources on the ground, the team is currently auditing the application of Land Sales Tax, section 11 of the Income Tax Act and the VAT Decree by identifying potential revenue sources in individuals trading in property, real estate developers and sale of shares in land rich companies. The team carried out audits in the real estate sector, which is currently booming and has a lot of speculation in properties and shares in land-rich companies.

Debt Recovery Team

To improve debt recovery a special team was established in July 2007 to review outstanding correspondences and review assessments where appropriate.

Establishment of the Internal Audit Framework

An Internal Audit Steering Committee was established in April to work on this. The Committee developed the Internal Audit Charter which was approved by the Board in September 2007. The Committee has also developed the Internal Audit Policy and Procedures, which are currently being considered by Management.

Preparation of Whistle-blowing Policy document

Work is underway on the introduction of an Integrity Framework, which is aligned to the organisation's key result areas. As part of this work, a draft Whistle-blowing policy has been prepared and currently being considered by Management.

Promulgation of Revenue Administration Legislation

This project has been in the organization's Corporate Plan for a number of years. The Committee has progressed significantly since its formation last year and the draft legislation would be finalized by the end of 2007.

ASYCUDA/FITS Working Group

The Group formed in 2006 to implement tax identification number (TIN) as the common identifier in the two core computer applications of the Authority namely FITS and ASYCUDA. In addition to this responsibility the Working Group is exploring new functional enhancements and automating the manual processes which is currently carried out by Customs.

The use of TIN in both the systems will enhance compliance, provide easy administration of the revenue laws and to collate information accurately.

Upgrading of IT

There was a replacement of a further 100 Personal Computers, which was part of the PC replacement program that was started in 2005 whereby all old Pentium II and III PC's are being replaced in order to improve performance and to have a standard operating environment.

In order to ensure efficient delivery of IT services, the second phase of the Server Replacement program was completed. This saw the delivery of 15 Blade Servers and additional Storage Systems.

The new servers and additional storage will allow for the migration of all applications from the current unsupported legacy hardware platforms.

Data Cleansing

The Authority has been keen to undertake Data Cleansing exercise particularly of the IRS database over the last few years. This exercise was and has been carried out on a piecemeal basis and in particular during the IRS off-peak period i.e. June – December.

The updating and cleansing of our database is an important exercise, which would provide not only current and up to date details of taxpayers, but it would also provide accurate information to implement effective compliance measures.

A "full-time" team was established in June 2006 and the team has been continuing with the work until now.

3.0 Guiding Principles for Our Business

Where we want to be in the future...

VISION



How we conduct our business...

VALUES



What we do...

MISSION



4.0 Analysis of the Operating Environment

The Authority will continue to face significant on-going challenges to its operating environment over the Plan period. These challenges will arise from the following:

- i. Selected public sector reform programs, involving increased emphasis on efficiency, transparency and accountability can be expected to continue over the Plan period. The outsourcing of services, where it can be demonstrated that they can be more efficiently performed in the private sector, will continue;
- ii. The International Monetary Fund (IMF) estimates that the world economy will expand by 4.9% this year, following a 5.4% growth in 2006. The growth outlook for most of our major trading partners is optimistic with only US economic growth projected to slow;
- iii. For the Fiji Economy, a 3.1 percent economic decline is forecast;
- iv. Globalization is expected to continue to force change through:
 - a. increased sophistication and proliferation of financial instruments, and the need to develop new tax initiatives to respond to these developments;
 - b. increases in volume, speed and complexity of world trade, requiring improved processes that are able to respond to changing customer requirements. This could include reducing the level of paper based processes in favour of more automated functions;
 - c. increased regionalization of border agencies to protect against increasing traffic in illegal activities across borders. Similarly, for revenue agencies to protect against cross border revenue fraud;
 - d. increased security requirements at the border, needing more investment in technology and security systems as well as training of staff;
 - e. impact on revenue of increasing number of bilateral trade agreements e.g. USA and Australia, NZ and Singapore;
 - f. pressure for tariff reductions to meet World Trade Organization (WTO) requirements;
 - g. continued high economic growth in the large Asian economies (China, India) will increase their influence on world trade and Fiji. Potential strengthening of trade ties with those economies through Bi-lateral Trade and Double Taxation agreements.
- v. Growth in electronic commerce with implications on how business will be conducted in the future, such as Data Interchange and Electronic Processing.
- vi. Growth in consumer advocacy and the embedding of legislation protecting and ensuring consumer rights will require increased transparency for all transactions between business and consumers. This will also require stronger communication by way of taxpayer and Customs education programs to raise awareness of customer obligations and entitlements. Also, as more and more taxpayers gain easy access to the internet and communications, more on-demand self-service facilities will need to be envisioned.

- vii. As FIRCA is the single primary line border-controlling agency there will be requirement for the strengthening of the Border Control Division in terms of human resources, technology and processes in customs border control.
- viii. Legislation effecting Revenue and Customs activities will continue to be reformed to ensure it meets the challenge to be simple, comprehensive and sufficiently robust to be enforceable in the courts. It will also require greater harmonization and consistency between the respective legislations covering Income Tax and Customs.
- ix. Revenue and Customs services will need to be able to respond to these changes in the economy. In 2008, the economy is projected to decline by 3.1 percent, largely as a result of lower Government spending and a contraction in the building and construction, wholesale and retail trade and hotels and restaurants sectors¹.
- x. In 2008, sectors that are expected to contribute positively to economic growth are: finance, insurance, real estate & business services, manufacturing, forestry, fishing and subsistence and electricity and water sectors².
- xi. A number of constraints are being faced by FIRCA such as retention of skilled workforce, e-commerce, computer security, free flow of trade, terrorism activities, trafficking of illegal drugs and weapons, people smuggling, leakage effect, inadequate infrastructure to support development, and government's commitment to lower tariff and tax rates. FIRCA will address these constraints to minimize their impact on performance.

¹ Reserve Bank of Fiji Quarterly Review June 2007

² Reserve Bank of Fiji Quarterly Review June 2007

5.0 Planning Assumptions

The overall assumption is that the overall operating environment will remain stable throughout the Plan period and these assumptions are subject to change at any time. Key planning assumptions are as follows:

- i. Growth in tax revenue collections are expected to pick up in 2008 and thereafter will average 3 - 5% per annum, driven mainly by expectations of good growth in indirect tax as the economy continues recovers.
- ii. One of the aims of macroeconomic policy measures set for 2007 was to dampen imports to improve our trade deficit and ensure adequate levels of foreign reserves. Hence, as part of fiscal policy measures, fiscal duty and import excise rates were raised particularly on luxury items and on sin goods. These policy measures coupled with a contraction in consumer demand resulted in lower imports and consequently will have a negative impact on revenue in the short term.
- iii. Indirect tax collections are likely to rebound from a dismal performance in 2007 and lead revenue collections in 2008 and beyond. An expected recovery in the economy augurs well for growth in indirect tax collections.
- iv. Tax incentives and concessions are a revenue loss. Political pressure to increase incentives and concessions continue to threaten revenue growth.
- v. Real GDP growth will average between 2% - 3% for the next three years with inflation forecasted to be around 4% for 2008 and then expected to be around 3% for the next two years.³ The Finance, insurance, real estate & business services sector; wholesale, retail trade, hotels & restaurants; agriculture, forestry, fishing & subsistence; and the manufacturing sectors are expected to lead growth in 2008 and beyond.
- vi. Current International Trade Agreement negotiations amongst Pacific Island Countries and European Union member countries will have an impact on revenue in the coming years.
- vii. Trade (Imports and exports); In 2007, total Imports is anticipated to decline by around 2.2% whilst exports are expected to decline by 2.6%.⁴ However, preliminary trade data from customs indicate that total imports in 2007 will decline by much more 2.2% and that exports are expected to have some growth. The decline in imports will have a negative effect on revenue collections particularly in fiscal duty collections and in Import VAT. In the coming years imports are expected to increase consistent with an expected increase in consumer demand as the economy recovers.
- viii. Sugar & molasses, fish, mineral water and Garment will remain the major component of exports and will lead growth in exports in 2008 and beyond. Timber & wood products and fruits & vegetables exports are also expected to increase in the next three years.

³ This is based on Reserve Bank of Fiji's revised forecasts as at July 18, 2007

⁴ This is based on Reserve Bank of Fiji's revised forecasts as at July 18,, 2007

- ix. Sugar production will be dependent on the resolution of the land issues, and the successful implementation of the proposed restructuring of the Fiji Sugar Corporation. On the assumption that these will be resolved, and there is increased emphasis placed on improving the quality of sugar cane harvested, returns from sugar will grow steadily.
- x. Access of Fiji sugar to certain bigger markets such as the European Union (EU) will come under pressure toward the end of the Plan period. Unless there is a successor to this arrangement it is likely to put pressure on the export dollar.
- xi. After a lower tourism arrivals expected in 2007, projections are that visitor arrivals will recover to pre-December 5 levels in the next two years. In 2008, visitor arrivals are anticipated to be around 550,000.⁵
- xii. The impact of global security and health concerns may affect trade in the short term.
- xiii. External influences such as transfer pricing and electronic commerce may undermine the tax base.
- xiv. Strengthening of legislation to control suspicious financial and other transactions will continue throughout the Plan period.
- xv. The proportion of individuals coming under the taxation regime will continue to increase. The increase, amongst other things, will be a result of demographic trends and can also be attributed to growth in employment and compliance.
- xvi. Government policy on tariffs will continue the trend toward tariff reduction. As a result, growth in revenue from fiscal duties will be modest and may fall in the short term. Since Fiji is a signatory to WTO, the reduction in duties and the existence of four tariff bands must be maintained at this stage.
- xvii. Increased emphasis on border control and management will continue to ensure safety at our borders.
- xviii. Border control will be strengthened with intelligence profiling and targeting the movements of people, goods and services and enforcement of the Customs (Prohibited import/export) Regulations 1986.
- xix. The extent to which there is integration of services at the border is expected to be resolved during the Plan period.

⁵ This is based on Reserve Bank of Fiji's revised forecasts as at July 18,, 2007.

6.0 Key Result Areas

Our main areas of responsibilities and accountabilities are:

- i. **REVENUE COLLECTION.** We are responsible for collecting revenue for the Government to fund the national budget;
- ii. **COMPLIANCE.** We are to ensure that our customers comply with the laws that the Authority administers;
- iii. **BORDER SECURITY.** We facilitate trade and control movements at all our ports of entry and national borders;
- iv. **CUSTOMER SERVICE.** We provide excellent customer services within the organisation and to our external customers.
- v. **INTEGRITY AND CORPORATE GOVERNANCE.** We ensure that Integrity and Good Governance is practiced throughout the whole organisation.
- vi. **INSTITUTIONAL MODERNIZATION.** Our work processes are modern and aligned with developments in technology and the requirements of government.

7.0 Goals, Objectives and Strategies

A number of strategies have been identified to be implemented in the 2008-2010 plan period, which are outlined in the following tables.

The Indicators for measuring the level of performance are outlined in **Annex 1** of this document, and finer details are provided in the organisation's 2008 Statement of Corporate Intent. **Annex 2** contains the financial statements as required under the FIRCA Act.

KEY RESULT AREA: REVENUE COLLECTION

STATEMENT: *We are responsible for collecting revenue for the Government to fund the National Budget.*

GOAL: *To collect all revenue (taxes and duties) due to the Government*

Objectives	Strategies
To collect revenue as forecasted for the years 2008 – 2010 by the Government	<ul style="list-style-type: none"> • Diligently follow-up lodgement of taxpayer returns • Carry out effective Debt Recovery and Prosecution • Development and execution of assessing timeline and achievement plan • Identify potential revenue opportunities • Strengthening of Post Audit/Assessment Section • Carry out research and consultation on the implementation of E-payments and E-lodgements
Provide Quality Advice and information to Government on taxation and customs matters	<ul style="list-style-type: none"> • Conduct specific research and analysis • Carry out regular and accurate forecasting and modelling exercises • Conduct a study of the underground economy, and research on international experience on fiscal and taxation policies • Establish Policy Development process • Develop acceptable Forecasting and Modelling techniques • Timely response to queries relating to tax and customs
Improve Customer Services, Public Relations and Taxpayer Education	<ul style="list-style-type: none"> • Carry out regular Taxpayer Education exercises • Train staff in Customer Service Centres • Production of publications to assist in taxpayer education • Erect Mobile booths • Communicate with stakeholders (Monthly/Quarterly) • Flexible working hours for customer service staff
Have the most effective technology for our business systems	<ul style="list-style-type: none"> • ASYCUDA World - Currently in the process of upgrading the system to Version 18 D • E-storage of Tax/SAD records

KEY RESULT AREA: COMPLIANCE

STATEMENT: *We are to ensure that our customers comply with the laws that the Authority administers.*

GOAL: *That there will be an increase in the level of compliance with all FIRCA administered laws*

Objectives	Strategies
Enforce legislative provisions on compliance	<ul style="list-style-type: none"> • Conduct Audit and Risk Analysis based on systematic risk assessment • Develop and maintain an audit plan, and modernise and maintain audit manuals • Conduct audits on selected large and international taxpayers, small and medium taxpayers, non-profit bodies, audio-visual rebates claimants, selected taxpayers based on targeted industries, and selected taxpayers suspected of being involved in illegal or fraudulent industries • Ensure integrity of ledgers, collect overdue debts, conduct income matching activities, and conduct post compliance audits on selected stakeholders • Carry out regular and effective risk analysis on all large taxpayers and international issues, small/medium taxpayers, selected non-profit bodies, and all taxpayers suspected of being involved in illegal or fraudulent activities • Conduct lodgement enforcement activities • Carry out effective Debt Recovery and Prosecution
Establish the Risk Management Framework and Supply Chain Security Regime	<ul style="list-style-type: none"> • Implement and review the Risk Management Framework • Enforce compliance with the Supply Chain Security Regime • Business Continuity Planning • Business Intelligence / Environment Scanning • Disaster Recovery • Profiling
Provide Quality Advice and information to Government on taxation and compliance matters	<ul style="list-style-type: none"> • Conduct research and analysis • Conduct a study of the underground economy, and international best practices on auditing and risk management
Have a legislative framework that is conducive to the current operating and business environment	<ul style="list-style-type: none"> • Harmonise and improve all FIRCA administered laws

KEY RESULT AREA: BORDER SECURITY

STATEMENT: *We facilitate trade and control movements of people, goods and crafts at all our ports of entry and national borders.*

GOAL: *To maintain safety and security at our borders at all times.*

Objectives	Strategies
Enhance Primary Line and Border Control function	<ul style="list-style-type: none"> • Capacity building of Primary Line and Border Control • Installation of supply chain security equipment such as Close Circuit Television (CCTV) and ion scan where necessary • Training of staff in the areas of intelligence in drug trafficking, money laundering and financial transaction, people smuggling, arms and ammunitions, documentary fraud, Ozone Depleting Substances (ODS), and Convention on Illegal Trade on Endangered Species (CITES)
Establish Risk Management Framework and Supply Chain Security Regime	<ul style="list-style-type: none"> • Implement and review the Risk Management Framework • Enforce compliance with the Supply Chain Security Regime • Business Continuity Planning • Business Intelligence /Environment Scanning • Disaster Recovery • Profiling
Improve relationship with law enforcement agencies, and improve customer services, public relations, and promote awareness on legislative requirements	<ul style="list-style-type: none"> • Conduct regular meetings with law enforcement agencies, importers and exporters, private bonded warehouses, travel agents, trade commissions, foreign missions and the general public • Administer Memorandum of Understanding signed with the Land Transport Authority
Promote information sharing and networking	<ul style="list-style-type: none"> • Develop partnerships with the business community - MOU's to be developed with key private sector businesses.
Provide quality advice and information to government on taxation and security matters	<ul style="list-style-type: none"> • Conduct research and analysis on Border Management and Security issues

KEY RESULT AREA: CUSTOMER SERVICES

STATEMENT: *We will provide excellent customer services within the organization and to our external customers.*

GOAL: *To be efficient and effective in the delivery of services.*

Objectives	Strategies
Improve Customer Services, Public Relations and Taxpayer Education	<ul style="list-style-type: none"> • Provide facilities for customers to provide feedback to FIRCA • Develop and execute a Customer Service Plan • Share information and promote networking within the organisation and with other key stakeholders • Produce publications to provide information on FIRCA's services • Conduct Importer/Exporter education workshops
Have the most effective technology for our business	<ul style="list-style-type: none"> • Upgrade Information, Communication and Technology System • Integrate internal Information Technology (IT) systems • Interface IT systems with those of external stakeholders such as Immigration Department, Companies Office, Land Transport Authority • Design and install systems for Supply Chain Security and other security mechanisms
Recruit and retain a well trained, productive and motivated workforce	<ul style="list-style-type: none"> • Attract, develop and maintain competent and motivated staff • Appoint right people for the right positions • Train staff and encourage multi-skilling • Staff rotation where applicable • Develop a Succession Plan • Develop staff to be competent in use of technology and business applications • Review appropriate staff remuneration and benefits • Implement Performance Management System • Train staff on organisation policies and procedures
Provide healthy and safe working environment	<ul style="list-style-type: none"> • Provide equipment that are OHS compliant • Provide training on OHS legislation, policies, and procedures, and ergonomics
Maintain harmonious working relationship	<ul style="list-style-type: none"> • Conduct regular meetings with staff to disseminate information and discuss issues

KEY RESULT AREA: INTEGRITY AND CORPORATE GOVERNANCE

STATEMENT: *We ensure that Integrity and Good Governance is practiced throughout the whole organisation.*

GOAL: *To practice rectitude in all aspects of our business*

Objectives	Strategies
Enhance Principles of Good Corporate Governance within the organisation	<ul style="list-style-type: none"> Establish an Integrity and Corporate Governance Framework for FIRCA
Implement Policies/ standards of Good Corporate Governance set out in the Integrity/Corporate Governance Framework	<ul style="list-style-type: none"> Ensure that Integrity is up to WCO Standards Ensure Operation is free of illegal activities and Deal with Non-Conformance Monitor and assure Integrity within the organization
Sustain high level of integrity/ corporate governance practices in the long term	<ul style="list-style-type: none"> Proper Review and Update of Code of Conduct Provide essential training to staff on Governance and Integrity Issues
Encourage information sharing and networking	<ul style="list-style-type: none"> Promote teamwork and teambuilding Share information and promote networking within the organisation and with other key stakeholders such as LTA, Ministry of Energy and Environment FITS and TRIMS interface to be completed by end of 2009)
Maintain harmonious working relations	<ul style="list-style-type: none"> Implement networking and meetings within Divisions (monthly) and with other Divisions (quarterly)
Promote good governance and improve sound administration of resources	<ul style="list-style-type: none"> Decentralization of operations into selected locations throughout Fiji.

KEY RESULT AREA: INSTITUTIONAL MODERNIZATION

STATEMENT: *Our work processes are modern and aligned with developments in technology and the requirements of government.*

GOAL: *Ensure Modernization of the Organization*

Objectives	Strategies
Strengthen and Modernize Business Processes	<ul style="list-style-type: none"> Review, Align & Update Customs Business Process with technology levels Align customs business process with WCO Standards Review, Align & Update Taxation Business Processes with technology level to be of Global Standards Benchmarking against other countries
Building Capabilities & Competency levels	<ul style="list-style-type: none"> Up skilling and Equipping staff to be competent with these new business process and technology level Provide essential training to staffs Benchmarking against other countries
Building an Integrated network for information sharing & Communication	<ul style="list-style-type: none"> Linking current systems within all divisions Improve technology capabilities to sustain information sharing & network
Maintain Consistent High Quality performance	<ul style="list-style-type: none"> Establish & Implement Performance Management System Benchmarking against other counterparts from Australia and New Zealand
Recruit and retain a productive and motivated workforce	<ul style="list-style-type: none"> Attract, develop and maintain competent and motivated staff Appoint right people for the right positions Train staff and encourage multi-skilling Staff rotation where applicable Develop a Succession Plan Develop staff to be competent in use of technology and business applications Review appropriate staff remuneration and benefits Implement Performance Management System Train staff on organisation policies and procedures
Have the most effective technology for our business systems	<ul style="list-style-type: none"> Improve information integrity of FITS New primary line software Introduction of Electronic Document Management System
Improve business processes and administration of resources, enhance capability and effectiveness of our business systems	<ul style="list-style-type: none"> Automated data collection - Manual registers to be automated. Develop a multi-agency enforcement unit. Enhancing hub port status where we screen other neighbouring regional countries' exports / imports - X-ray technology in place and MOU's in place.

Annex 1

Key Performance Indicators and Targets

2008 Revenue Performance Targets⁵

Revenue	(\$ million)
Income Tax Revenue	456.9
Value Added Tax Revenue	422.4
Customs and Excise Revenue	348.9
Hotel Turnover Tax	23.9
Total Revenue	1,252.1
Operating Grant	31
Capital Grant	10
Cost of Collection:	2.48%

NOTE: 5 – Revenue Targets and Operating Grant are subject to change during plan period. The figures in the above table will be first changed after the announcement of the 2008 National Budget.

Other Key Performance Indicators and Targets

Organizational KPIs

- Increase in revenue: up to 3% per annum;
- Ratio of debt level (excl. Govt. debts) to net revenue collected: to be less than 5%;
- Work within approved budget;
- Increase in number of taxpayers audited over the period;
- Reduction in time taken to process forms and serve customers;
- Rejection of containers by other ports: nil;
- Success rate for legal cases: 90%;
- Maintain a harmonious working relationship: no industrial action;
- Systems downtime to be less than 5% of uptime;
- 100% compliance with all statutory reporting requirements.

Note: More detailed performance measures are contained in the 2008 Statement of Corporate Intent.

The following performance indicators are specifically related to the provision of services by Taxation and Customs Divisions.

TAXATION DIVISION PROCESSING OF FORMS

SALARY AND WAGE EARNERS RETURNS

- 80% processed within 4 weeks
- 100% processed within 8 weeks

FORM B - BUSINESS AND PARTNERSHIPS

- 80% processed within 4 weeks
- 100% processed within 8 weeks

FORM C - COMPANY / CORPORATE

- 80% processed within 4 weeks
- 100% processed within 8 weeks

VAT (New Dwelling House)

- 80% processed within 4 weeks
- 100% processed within 8 weeks

COMPLIANCE

- All Income Tax and VAT taxpayers who have not filed their returns are to be contacted within ten days after due filing date.
- All taxpayers who have not paid on due date will be contacted after thirty days of the due date for payment.

AUDIT

- Audit of small/medium cases will be completed within six months.
- Audit of large/international cases will be completed within twelve months.

CUSTOMS DIVISION

COMPLIANCE

- 100% of air and marine passengers/crew as well as cargo subject to an alert or risk profile will be processed in accordance with the alert/risk profile instruction
- 80% of the deployment hours and location for the marine vessel are carried out in accordance with the marine vessel deployment plan
- 100% of exports will meet the necessary supply chain requirements.

QUALITY SERVICE DELIVERY

- 90% of departing air and marine passengers/crew will exit Customs control points within 30 minutes of queuing
- Complaints of importers, exporters and taxpayers acknowledged - Within 48 hours

Annex 2

Draft Financial Statements for 2008 - 2010

This Section contains the financial statements for the current and next three financial periods

Summary of the Annual Budget
Statement of Financial Performance
Statement of Financial Position
Cash-flow Statement

FIJI ISLANDS REVENUE & CUSTOMS AUTHORITY SUMMARY OF THE 2007 - 2009 BUDGET

	(In \$ 000)			
	2007	2008	2009	2010
1. OPERATING BUDGET				
Consolidated operating budget	27,556	32,087	32,087	32,087
2. CAPITAL BUDGET	4,567	5,177	2,000	2,000
3. SUPPLY CHAIN	3,400	3,400	3,400	
4. OTHER REQUIREMENTS				
- New Headquarters Fit-out	4,000	2,000		
TOTAL FUND REQUIREMENT – VAT EXCLUSIVE	39,523	42,664	37,487	34,087
ADD 12.5% VAT	4,940	5,333	4,686	4,261
TOTAL FUND REQUIREMENT – VAT INCLUSIVE	48,506	47,997	42,173	38,348

Note:

These budgets will be reviewed during the plan period. The first revision would be made after the announcement of the 2008 National Budget.

FIJI ISLANDS REVENUE & CUSTOMS AUTHORITY
STATEMENT OF FINANCIAL PERFORMANCE

(In \$000)

FORECAST

REVENUES

	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>
GRANTS FROM GOVERNMENT	27,556	32,087	32,087	32,087
FEES AND CHARGES	3,000	3,000	3,300	3,300
TOTAL REVENUES	30,556	35,087	35,387	35,387

EXPENSES

EMPLOYEES COST	22,671	22,982	22,982	22,982
TRAINING COST	450	420	420	420
COMMUNICATION COST	1,263	1,259	1,259	1,259
TRAVEL AND ACCOMMODATION	331	312	312	312
OTHER OPERATING COST	3,069	3,143	3,143	3,143
PROPERTY EXPENSES	2,732	3,321	3,321	3,321
POWER, WATER AND SUPPLIES	403	400	400	400
DEPRECIATION	7,530	8,530	8,830	9,630
MISCELLANEOUS	228	250	250	250
TOTAL EXPENSES	38,680	40,618	40,918	41,717

GROSS SURPLUS (DEFICIT)

-8,124 -5,531 -5,531 -6,330

OTHER INCOME

RECOUPMENT OF DEPRECIATION	5,061	7972	8,102	8,305
-SUNDRY INCOME	332	350	350	350
TOTAL OTHER INCOME	5,393	8,322	8,452	8,655

NET SURPLUS (DEFICIT)

-2,731 2,791 2,921 2,325

**FIJI ISLANDS REVENUE & CUSTOMS AUTHORITY
STATEMENT OF FINANCIAL POSITION**

(In \$000)

FORECAST

ACCUMULATED FUNDS

	2007	2008	2009	2010
OPENING BALANCE	13,640	12,190	16,262	20,464
ASSET REVALUATION RESERVE	1,281	1,281	1,281	1,281
NET SURPLUS (LOSS)	-2,731	2,791	2,921	2,325
TOTAL ACCUMULATED FUNDS	12,190	16,262	20,464	24,070

CURRENT ASSETS

CASH AT BANK	6,028	4,380	4,538	3,940
RECEIVABLES	661	661	661	661
PREPAYMENTS	266	266	266	266
TOTAL CURRENT ASSETS	6,955	5,307	5,465	4,867

NON-CURRENT ASSETS

PROPERTY, PLANT & EQUIPMENT - NET	13,535	14,869	18,913	23,117
TOTAL NON-CURRENT ASSETS	13,535	14,869	18,913	23,117
TOTAL ASSETS	20,491	20,176	24,378	27,984

CURRENT LIABILITIES

CREDITORS AND ACCRUALS	2,154	2,154	2,154	2,154
PROVISION	1,760	1,760	1,760	1,760
TOTAL CURRENT LIABILITIES	3,914	3,914	3,914	3,914

NON-CURRENT LIABILITIES

GRANT RECEIVED IN ADVANCE	4,387	-	-	
DEFERRED GRANT INCOME	-	-	-	
TOTAL NONCURRENT LIABILITIES	4,387	-	-	

TOTAL LIABILITIES	8,301	3,914	3,914	3,914
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NET ASSETS	12,190	16,262	20,464	24,070
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**FIJI ISLANDS REVENUE & CUSTOMS AUTHORITY
CASHFLOW FORECAST**

<u>FORECAST</u>	<i>(In \$000)</i>			
	2007	2008	2009	2010
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>				
- AMOUNT RECEIVED FROM GOVERNMENT	31,149	36,098	36,098	36,098
- CAPITAL GRANT	14,000	11,899	6,075	2,250
- FEES AND CHARGES	3,000	3,000	3,300	3,300
TOTAL CASH INFLOWS	48,149	50,997	45,473	41,648
 PAYMENTS TO SUPPLIERS AND EMPLOYEES	 35,520	 37,996	 37,996	 37,996
 <i>CASH FROM OPERATING ACTIVITIES</i>	 12,629	 13,001	 7,477	 3,652
 PURCHASE/DISPOSAL OF PROPERTY & EQUIPMENT	 -22,444	 -14,649	 -7,319	 -4,250
 <i>NET CASH USED IN INVESTING ACTIVITIES</i>	 -22,444	 -14,649	 -7,319	 -4,250
 NET INCREASE/(DECREASE) IN CASH HELD	 -9,815	 -1,648	 158	 -598
CASH - BEGINNING	15,843	6,028	4,380	4,538
CASH - END	6,028	4,380	4,538	3,940

Note:

These Cash-flow Forecasts will be reviewed during the plan period. The first revision would be made after the announcement of the 2008 National Budget.

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