

ISSUE 24

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POLICY NEWS

POLICY ANALYSIS & RESEARCH UNIT

FOREWORD

At the end of 2006, FIRCA recorded another remarkable performance with collections of \$1,198,867,331 exceeded the forecast by \$46,074,011.

The outstanding performance for the year 2006 has been largely due to increased compliance and management initiatives.

The events of 5th December, 2006 had some adverse effects on December collections; however, the full impact is expected to be seen in 2007.

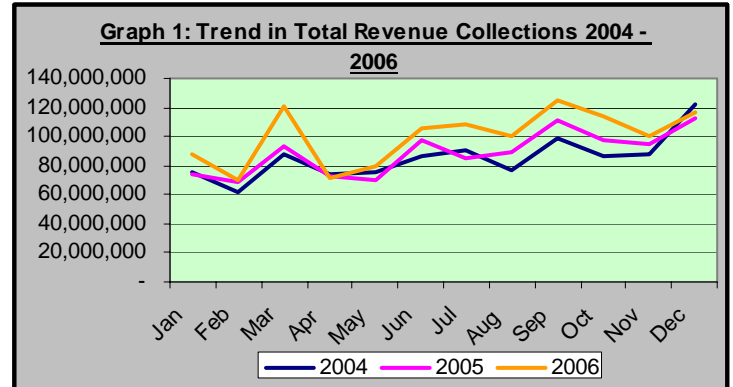
REVENUE AS AT 31-DECEMBER-2006

Total revenue collections as at 31 December, 2006 were 12.6% higher than the comparable period in 2005. Despite weak performance of Value Added Tax (VAT), Hotel Turnover Tax (HTT) and Customs collections in the month of December, accumulated collections surpassed its forecast by \$46,074,011.

Table 1: Collections as at 31 December, 2006 (\$)

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

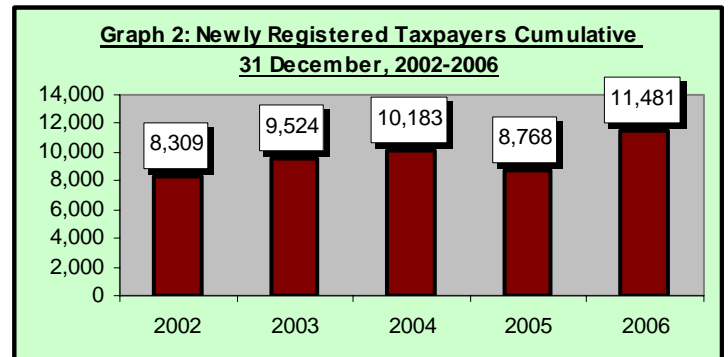
As shown in Graph 1, the revenue trend in 2006 follows similar patterns as that of the last two years.



INCOME TAX COLLECTIONS

Accumulated Income Tax collections as at 31 December 2006 were 18.3% higher than the corresponding period in 2005. Total Income Tax collected of \$410.6m is above its forecast by \$34.1m.

PAYE Tax collections as at 31 December, 2006 were 19.3% higher than the comparable period in 2005. PAYE Tax collections in the month of December remained buoyant with a positive monthly variance of \$32,193, which has further boosted the accumulated variance to \$22.3m as at 31 December, 2006. Cumulative to 31 December, 2006, the number of newly registered taxpayers totaled 11,481, which was 30.9% higher than that recorded in the same period in 2005.



Corporate Tax collections cumulative to 31 December, 2006 were 16.3% higher than the

comparable period in 2005. Accumulated Corporate Tax collections as at 31 December, 2006 were above the forecast by \$10,542,581.



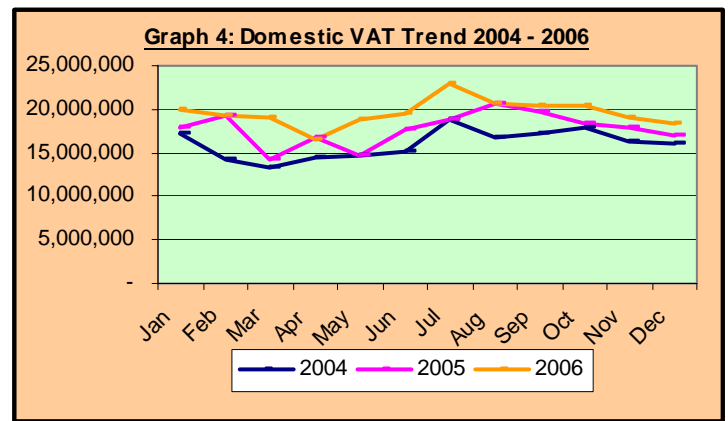
With the exception of Other Miscellaneous Tax and Corporate Tax, all the other components of Income Tax recorded above monthly forecast in December contributing to the accumulated variance of \$34.1m as at 31 December, 2006.

HOTEL TURNOVER TAX COLLECTIONS

Hotel Turnover Tax (HTT) collections for the six months (from July to December) totaled \$8,390,414. The collections in December were below the monthly forecast by \$1.1m, which has deteriorated the accumulated variance to \$1.2m as at 31 December, 2006.

VALUE ADDED TAX COLLECTIONS

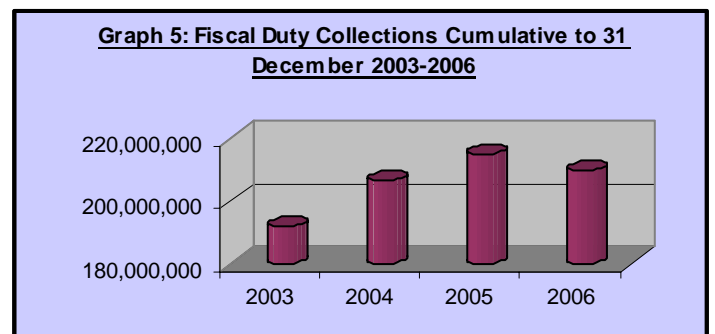
Accumulated VAT collections as at 31 December, 2006 were 12.9% higher than the corresponding period in 2005. All the components of VAT were below its monthly forecast in the month of December, which resulted in a negative monthly variance of \$6.3m. Total Domestic VAT collections of \$235.3m as at 31 December, 2006 were 10.6% higher than that recorded in 2005.



Government VAT collections cumulative to 31 December, 2006 were above the forecast by \$5.7m. There was a downturn in Import VAT collections in the month of December resulting in a negative variance of \$6.3m, nevertheless, it recorded a positive accumulated variance of \$14.8m. Total Import VAT collections as at 31 December, 2006 were 3.0% higher than that recorded in the same period last year.

CUSTOMS COLLECTIONS

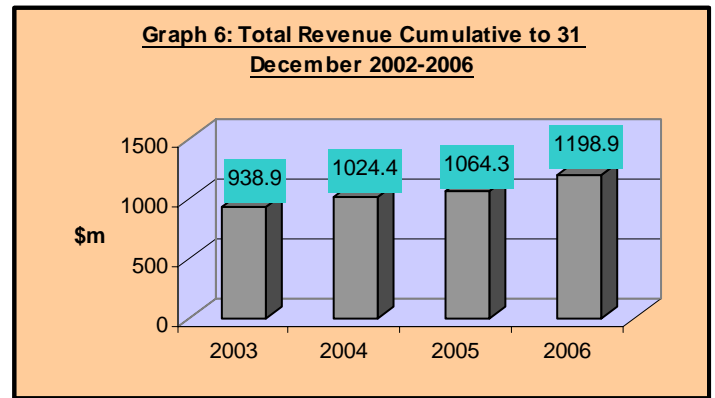
The major components of Customs collections recorded below monthly forecast collections hence contributing to a negative variance of \$11.6m. The weak performance in the month deteriorated the accumulated variance to \$23.9m as at 31 December, 2006. Nevertheless, total customs collections as at 31 December, 2006 were 3.0% higher than the comparable period in 2005. Fiscal Duty collections cumulative to 31 December, 2006 were below the forecast by \$22.9m and 2.5% lower than collections in the comparable period in 2005.



Excise Duty collections in the month of December recorded a negative variance of \$3.4m. The poor monthly performance was attributed to a decline in the volume of sales of liquor and cigarettes in December. Export Duty collections as at 31 December, 2006 were below the monthly and accumulated forecast by \$0.8m and \$0.1m respectively. The major contributing factor to this poor performance has been the recent closure of Emperor Gold Mine and decline in the volume of sugar, gold and silver exports in the month of December.

OVERALL PERFORMANCE

Despite the events of 5th December, 2006, there has not been much impact on overall revenue collections for the year 2006. Revenue performance has continued to remain buoyant compared to the same period in the last three years. Total revenue collections as at 31 December, 2006 surpassed the forecast by \$46,074,012.



POLICY DIVISION TEAM CONTACT

FIRCA Switchboard - 3301 551

Mr. Jitoko Tikolevu

(National Manager Policy Analysis & Research)

ext. 1174

Mr. Fazrul Rahman (Principal Policy Analyst) - Study Leave

Ms Laisiana M Tugaga (Senior Analyst)

ext. 1110

Ms Kelera Buatoka (Senior Policy Advisor)

ext. 1145

Ms Lai S Sue (Analyst)

ext. 1175

Ms Artika D Goundar (Economic Policy Officer)

ext. 1189

Ms Ana Cama (Acting Secretary)

ext. 1181

E-mail: FIRCA-Policy&Research@frca.org.fj