



Fiji Islands Revenue and Customs Authority

## PRESS RELEASE

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### Extraordinary Tax Revenue Performance in 2008

“The Fiji Islands Revenue & Customs Authority (FIRCA) Board at its January Board meeting on Tuesday 20 January 2009 noted the buoyant revenue collection for 2008. Net tax revenue collection for 2008 totaled **\$1244.5m**, surpassing the 2007 level by **\$10m** or **0.8%**, but slightly below the revised projected revenue by \$3 million or 0.2%.

Mr Vocea, the Chairman of the FIRCA Board, said that the Board was satisfied with this performance as it reflects the effects of a number of policy measures that were announced by the Government in 2008 to assist low income earners during the global surges in food and energy prices, and its negative impact on the domestic economy. These policy measures included:

- Increase in tax threshold from \$9,000 to \$15,000;
- Zero rating of VAT on the sale of locally produced eggs;
- zero duty on selected basic food items;
- and reduction in fiscal duty on mineral fuels: Diesel from 18c per litre to 9c per litre; motor spirits from 44c per litre to 34c per litre; and premix fuel from 27c per liter to 17c per litre.

Mr. Vocea said that the Board was well aware of the revenue implications of these measures, which was estimated to cost around \$42.7 million in total. The Board continued to work with FIRCA Management to ensure that the

revised revenue target for 2008 is achieved, even with the announced policy measures. “The Board believes that FIRCA Management and its staff had worked extremely hard last year to achieve this remarkable performance”.

**Net Income Tax** collection for 2008 amounted to **\$432.8m**. “Positive performance in Income Tax collection was mainly attributed to favorable collection from corporate tax (5.5%), withholding & dividend tax (19.9%) and provisional tax (14.7%)” Mr. Vocea explained. However, PAYE collection declined due to the increase in tax threshold from \$9,000 to \$15,000.

Net VAT collection for 2008 recorded **\$450.7m**. Positive VAT collection was mainly driven by relatively good collection from Import VAT and Domestic VAT. Import VAT collection was higher by **22.5%** than 2007 while Domestic VAT collection increased by **1.5%**.

Similarly, **Net Customs** collection in 2008 surpassed the 2007 level by **7.4%** with actual collection amounting to **\$338.3m**, underpinned by higher-than-expected collection from fiscal duty, excise duty and export duty. **Fiscal duty** collection increased by **29.4%** on year on year basis and was dominated by collection from mineral fuels, motor vehicles, machinery & equipment, articles of plastic & rubber, meat, beverages & spirits, articles of iron & steel and dairy produce. Import excise collection on the other hand, grew by **22.2%** compared to 2007.

The Authority had to increase its tax refund targets to provide timely refunds to businesses. The Authority for the first time surpassed its refund targets. Income tax refunds exceeded its forecast by **\$1.2m** and were **10%** higher than what was paid out in 2007 while VAT refunds exceeded the budgeted level by around **\$7m** and was **5.5%** higher than in 2007. This measure significantly affected net revenue collection, but was an initiative taken by the Board in

consultation with the Ministry of Finance to ensure that the business sector is assisted.

Another positive achievement for the Authority in 2008 was the reduction in debt levels. As at 31 December 2008, the debt level was around **\$86.3m**, a decline of **18.1%** compared to 2007. This debt level is the lowest ever achieved in the history of the Authority since its establishment in 1999. In the last eight years prior to 2008 debt levels have remained above **\$100m**.

Moreover, the cost of collection, another measure of FIRCA's performance was **2.28** cents for every dollar of revenue collected. The cost of collection declined by **4.6%** compared to 2007, indicating an improvement in FIRCA's performance.

Overall, the FIRCA Board was satisfied with FIRCA's performance and achievements in 2008, despite operating under a challenging environment and keeping in mind the huge impact of the revenue measures implemented by Government on 1 June 2008.

Hence, the Board has approved a bonus payment of 2.6% to all non-contracted staff for 2008 performance. The Board believes that a performance bonus pay out is timely and will provide an incentive to staff and a much needed stimulus for better revenue collection in 2009.

The Board is conscious of the effects of the recent floods on the taxpayers and has requested the FIRCA Management to explore initiatives that could assist taxpayers. Meanwhile, to assist salary and wage earners under the current situation, FIRCA will prioritize and reduce the processing period for refunds from 4 weeks to 2 weeks from the date of lodgment of tax returns.

**PECELI VOCEA**  
**FIRCA BOARD CHAIRMAN**