



PRESS RELEASE

MOMI PROJECT AND REGARDING OTHER DEVELOPERS

There has been intense publicity, and public speculation, within the last few days, regarding the Momi project, its tax implications, and the tax implications of other developments. Much of that publicity and speculation has centred upon certain directives issued to FIRCA in relation to the Momi project. The issue of Advance Assessments has also comprised part of that publicity and speculation.

The purpose of this Release is once again to clarify the overall stance of FIRCA in regard to developers in the position of MATAPO, the company organizing the Momi development, and like developers, who rely on taxable land sales to fund their developments. This Release does not in any way touch or concern developers who do not rely on taxable land sales to fund their developments.

The first comments made herein relate to developers generally.

Publicity and speculation has arisen in relation to Advance Assessments issued to tax proceeds of sale of land in cases where settlement has not to date occurred.

FIRCA in this regard has repeatedly expressed the offer which was made to all developers at the Tourism Convention on March 20 2007 "...to avoid the need for time consuming and costly litigation, FIRCA is willing, for purposes of settlement of income tax upon land sales, to agree figures of tax and payment dates to accommodate the concerns of developers who rely on taxable Land Sales to fund their developments. The relevant figures and dates must of course be consistent with FIRCA's statutory duties. All developers concerned in regard to the asserted "advance assessments" namely apparently those who rely on taxable land sales to fund their developments are invited to strike the arrangements already described."

The offer speaks for itself.

It should be noted in the above regard that tax in cases such as the present is imposed on a "profit emerging" basis, i.e. as lots become marketable and income from same is derived, tax is capable of being imposed. FIRCA will however act reasonably in relation to any progressive development wherein certain lots become marketable before others, by assessing in such cases only on sales of substantial portions of the relevant project.

The second group of comments relate to MOMI specifically. In making such comments FIRCA is of course mindful as always of the secrecy provisions of the Income Tax Act.

It should firstly be pointed out that MATAPO, like all other developers relying on taxable land sales to fund its development, is entitled to the benefit of the offer made to all developers which

has already been set out. Without disclosing details, FIRCA may indicate that the substance of that offer was given to MATAPO in early February

FIRCA will promptly communicate with MATAPO to advise its decisions in regard to taxation aspects of the MOMI project which have been the subject of recent publicity and discussion. FIRCA cannot of course disclose to the general public the details or proposed details of such dialogue. In such dialogue, proper respect will of course be accorded to the recent confidential Cabinet discussions and decisions regarding MATAPO.

The Minister has no power to give directions to FIRCA on specific issues. His power to direct is confined under section 30, FIRCA Act, to general matters; he has no power to direct under the Income Tax Act or any other law.

FIRCA will communicate with MATAPO as advised above.

As a postscript, FIRCA would draw attention to the relative and respective contributions to the economy of taxation and tourism.

FIRCA has invariably accepted the crucial role played by tourism in national development. Indeed, such contribution was recognized and praised by FIRCA at the recent Tourism Convention.

However, FIRCA is driven to point out that, apart of course from the other excellent benefits of tourism, tourism contributes \$30 million annually to revenue. FIRCA collects 90% of revenue to enable the running of schools and hospitals and for maintenance of security, an annual sum of more than one billion dollars.

When tourism was in its infancy, taxation also contributed to the vast bulk of Government revenues. That will continue to be the case unless and until the more than one billion dollars collected annually by FIRCA which sustains the economy as its lifeblood is no longer needed. In other jurisdictions, the booming or otherwise nature of tourism has never diminished the need for tax receipts as same are collected and utilized in Fiji.

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