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Verbatim Report

[VERBATIM REPORT]

STANDING COMMITTEE ON FOREIGN AFFAIRS & DEFENCE

ANNUAL REPORTS

- (1) Fiji Revenue and Customs Service 2020-2021 Annual Report**
- (2) Fiji Revenue and Customs Service 2021-2022 Annual Report**

ENTITIES: Fiji Revenue and Customs Service (FRCS)

VENUE: Big Committee Room, Government Buildings, Suva

DATE: Tuesday, 1st April, 2025

VERBATIM REPORT OF THE MEETING OF THE STANDING COMMITTEE ON FOREIGN AFFAIRS AND DEFENCE HELD AT THE BIG COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS, SUVA, ON TUESDAY, 1ST APRIL, 2025, AT 9.02 A.M.

Present

1. Hon. R.R. Sharma - Deputy Chairperson
2. Hon. I. Tuiwailevu - Member
3. Hon. V. Lal - Member
4. Hon. A.N. Tuicolo - Alternate Member

Apologies

1. Hon. L.S. Qereqeretabua - Chairperson
2. Hon. P.K. Ravunawa - Member

Submittee: Fiji Revenue and Customs Service

In Attendance:

1. Mr. Udit Singh - CEO, FRCS
2. Mr. Shavindra Nath - Director Corporate Affairs
3. Ms. Ansu Singh - Chief Financial Officer
4. Mr. Rahul Goundar - Manager Policy
5. Ms. Margaret King - Manager Design and Monitoring
6. Mr. Anasa Matakece - Principal Policy Advisor

DEPUTY CHAIRPERSON.- Honourable Members, members of the media and the public, the Secretariat, dear viewers, ladies and gentlemen; a very good morning to you all. It is a pleasure to welcome everyone this morning, especially our viewers who are watching this proceeding.

At the outset, for information and for public purposes, pursuant to the Standing Orders of Parliament, specifically Standing Order 111, all committee meetings are to be open to the public. Therefore, this meeting is open to the public and the media. However, for any sensitive information concerning this submission that cannot be disclosed in public, this can be provided to the Committee either in private or in writing. However, do note that this will only be allowed in a few circumstances which include national security matters, third-party confidential information, personal or human matters, Committee deliberation and development of Committee recommendations and reports.

I wish to remind all honourable Members and our invited guests that all comments and questions are to be asked through the Chair. For those viewers watching this live on *Facebook*,

questions can be asked via comments, and only relevant questions will be considered by the Committee. Please, note that if there are any questions from the members of the Committee, they may interject, or we will wait until the end of your submission to ask our questions.

This is a parliamentary meeting, and all information gathered is covered under the Parliamentary Powers and Privileges Act and the Standing Orders of Parliament. Please, bear in mind that we do not condone slander or libel for any sort, and any information brought before this Committee should be based on facts. In terms of the other protocols of this Committee meeting, please, be advised that movement within the meeting room will be restricted, minimise the usage of mobile phones and all mobile phones are to be on silent mode when the meeting is in progress.

I would like to introduce the members of the Committee and Secretariat.

[Introduction of Committee Members and Secretariat]

Today, the Committee will be hearing an oral submission from the Fiji Revenue and Customs Service (FRCS) on its 2020-2021 and 2021-2022 Annual Reports. I would like to take this time to invite our guests to introduce themselves before they commence with their presentation.

[Introduction of FRCS Officials by CEO FRCS]

MR. U. SINGH.- Mr. Chairman and honourable Members, as requested, this is the presentation for the annual accounts for the years 2020 to 2022. This is a general overview for those years. We had a number of challenges in those years and if I can talk on that, we had *TC Yasa* and *TC Ana* during those years that caused severe damage to Fiji and affected the economy. With the COVID-19 pandemic that triggered economic instability, we had a sharp decline in Government revenue. We also had staffing shortages and leadership disruptions over that period in time.

Some of the organisational resilience and key initiatives that were delivered over that period of time, we delivered COVID-19 micro, small and medium enterprise support packages. We also held budget consultations over those two years. We launched a container control programme during that period in time. We enhanced our taxation portal, which is our online system, with about seven new processes. We also launched the advanced New Tax Information System (NTIS), that you will learn about. We also undertook to hire back former staff to try and provide those core services for our business.

In terms of the core revenue indicators during those years - 2020 to 2021, the total revenue was \$1.4 billion, and we achieved 96.4 percent of target. A shortfall of \$53 million was due to pandemic disruptions.

In terms of the composition of the tax state in those years, VAT comprised 31 percent, income tax - 30 percent, and trade taxes - 28.3 percent. Tourism taxes fell sharply, obviously, because of the pandemic. We had a number of urban lockdowns, which heavily impacted our VAT collections.

Some of the lessons learned from that time - the need for a diversified revenue sources, and this also highlighted the vulnerability to sector-specific shocks, in particular the tourism industry.

Before I get to workforce and gender equality, some of the other recovery mechanisms during that time, in 2022, in particular, revenue increased to \$1.7 million, about 0.7 percent of forecast. The tax collection or tax state was VAT-led with 39 percent, trade tax was 26 percent and income tax was 25 percent.

Customs, boosted by import VAT and excise duties during the COVID period, there was a lot of freight that kept moving, so we did benefit from customs and excise duties. With inflation-aided customs revenue collection, prices have started to increase, and tourism recovery fuelled economic revitalisation.

Coming to workforce and gender equality, our female staff, in August 2022, was 57.4 percent, up from 50 percent the year prior. Out of our FRCS executives, four out of our eight leaders are women. All of our policies support SDG 5, 8 and 10.

On ongoing emerging challenges, one of the key challenges was restoring compliance postCOVID leniency. During the COVID period, we had become very lenient with our taxpayers and the challenge was to try and put our compliance framework back in place.

Small, medium enterprises faced lingering financial stress, so we had to try and have a hybrid approach in terms of compliance and in terms of bringing them back into the tax net.

We rolled out our NTIS and faced some integration and engagement issues at that point in time.

On the future outlook, we are continuing to strengthen our policies and simplify our processes. We have put together, as of now during this year, a governance group with our

industry customers to enhance the tax information system, and that is progressing very well. We have also put together, as the Standing Committee might know, a tax crimes taskforce, and we are starting to roll that out with an agency collaboration approach. We are working very closely with other enforcement agencies, and we are strengthening our border enforcement, alongside other agencies like the Police, the Navy and the Maritime Safety Authority of Fiji. And we are starting to focus on trade facilitation, incoming border control and facilitating goods going out of the country.

Thank you, Deputy Chairperson. That is a brief overview of some of the key aspects for those years and an outline of what is happening today.

DEPUTY CHAIRPERSON.- Thank you, Mr. Singh, for the comprehensive presentation, and the entire team. I now open the floor for questions from the Members or questions from the people who are watching the submission live.

HON. I. TUIWAILEVU.- Mr. Chairman, through you, I have a question regarding the signing of MOU with Port of Denarau. How does that MOU specifically target smuggling or under declaration of goods in the tourism sector? Are there any measurable outcomes from this collaboration?

MR. U. SINGH.- That is a good question. We are working very closely with all of the mariners, also the Port of Denarau, with the Yacht Owners Association and marina staff - the Marina Association in terms of putting together specific policies in place to have a framework around yachts coming in, the search of those yachts, the framework around the search of those yachts.

We also work very closely with our neighbours - New Zealand and our Pacific countries, in terms of intelligence around these yachts. We are also about to put together a governance group with all the mariners in Fiji around some of the key frameworks of shipping coming into the country and going out.

But to answer your questions, yes, there are some very specific guidelines around the search of yachts, and these are guided by intelligence from overseas, including some of the ports that these yachts have visited, et cetera. So, it is intelligence and target investment.

HON. I. TUIWAILEVU.- Thank you, Mr. Singh.

HON. V. LAL.- I would like to thank the team for their submission. Can you explain whether our taxation rates have become more progressive or are becoming more burdensome on those who earn less in the past five years?

MR. S. NATH.- Through you, Mr. Chairman, the tax rate has been progressive over the years and through every national budget, we try to make it more fair and progressive, similar to what you see in the Pay As You Earn, for example. This is taxes paid by the individuals on their wages and salary. If you are earning 30,000 or less, you do not pay any tax, and as you progress higher, the rates increase gradually, so it is definitely progressive. In the last budget, we have made the tax rate for individuals who are earning above 270,000, we have reduced it by 5 percent. It was seen there was some sort of regressivity in that portion, because the higher you earn, you start paying more, so we have tried to gradualise that portion as well. So, to answer your question, Sir, I think our tax rates are very progressive. That is as far as the personal income tax is concerned.

Similarly, for the corporate tax, again, it is based on your income, and then you claim your expenses, and then you are paying your profit. The rate there is stable at 28 percent, but it is definitely based on your income level.

Our personal and corporate income tax are benchmarked against similar economies, and we are relatively lower, comparatively. If you look at other countries, for example, Australia and New Zealand, the tax rate there are much more than what we charge in Fiji, especially the exemption rate. The Australians and New Zealanders in New Zealand, they charge, they start charging personal income tax from a very lower rate whereas we charge income tax after you hit the threshold of 30,000.

HON. V. LAL.- Adding on to that, in terms of FRCS's online services, how effective are the taxpayer online services, the new information system rollout and the corporate income tax and personal income tax? What were some of the challenges encountered and how has FRCS addressed those?

MR. U. SINGH.- Thank you, honourable Lal. Through you, Deputy Chairperson, the online tax system and the National Tax Information System (NTIS) started its rollout around 2018. Over that period of time, there have been a number of challenges in terms of the transition from the old system to the new. There have been a number of leadership challenges in that period of time as well - a number of CEO changes, also a number of functional managerial changes.

However, over the last 12 months, we have managed to identify the key issues that are facing our industry customers. We have actually put together a governance group and that has been in the making now for about a year, and we are working very closely with them to enhance those parts of the system that have been troublesome, like you have said to an industry, we try to simplify that.

We are now getting an increased uptake on the usage of TPOS system. We have our usual issues from time to time that are related to either connectivity or enhancement rollouts, but we feel that we are getting to a place of maturity, and we will continue this journey to try and enhance the system. Some of the thinking during the enhancement over the last seven years has changed and so what we are trying to do is get some stability in terms of our overall framework, in terms of simplicity and engagement with our customers.

HON. A.N. TUICOLO.- Through you, Deputy Chairperson, I have three questions. My first question is on TSLs and NTS. I understand that FRCS is no longer providing any service related to TSLs and NTS. During the years under review, what percentage of those been provided with travel release have fully repaid their loans?

MR. U. SINGH.- We do not have that information, Deputy Chairperson, on hand. As you know, the TSLs has been moved to another agency to look after that. We actually do not have that information at this time, and we are very happy to provide that through email to the Committee.

HON. A.N. TUICOLO.- My second supplementary question is on the customer service. With the restructuring and redesigning of the organisation, was there any issue faced by the organisation during that period? In what way did the redundancy affect the organisation's overall service delivery?

MR. U. SINGH.- Thank you, honourable Member. We, as an organisation, felt a number of challenges during that time. Clearly, our *modus operandi* is about engagement with customers. When I arrived, there had been two voluntary redundancies and one compulsory redundancy.

There is potentially about 300 staff who had been made redundant, whether voluntarily or compulsorily. Over that period of time, we had tremendous touch points around customer service. We did also lose some of our core corporate knowledge from experienced members. We are starting to build that up again and we have, over that period of time, experienced touch points at the airport. We have now put on another 50 staff at the airport over the last 12

months. We have also put on about another 100 staff right across the organisation in critical areas of service delivery.

We are starting to feel that the organisation is in a place where we can rise to ensure that service delivery is where we believe it should be, but we certainly face a lot of challenges during the redundancies.

HON. A.N. TUICOLO.- My final question is on the compliance segment. I am aware that most of your customers are compliant. For the non-compliant customers, does the issue of Departure Prohibition Order (DPO) only restricts the taxpayer from traveling abroad, or does it also cover members of his or her immediate family?

MR. U. SINGH.- Through you, Deputy Chairperson, the DPO, as we know it, applies only to the member concerned. We try and exhaust all avenues before we apply a risk framework to the actual taxpayer. We do actually advise them that we are putting a DPO on. If they do not provide a time to pay arrangement or exhaust other measures, they will be on alert in terms of departure, but it does not apply to their family.

HON. V. LAL.- Deputy Chairperson, through you, what are some of the challenges and gaps in monitoring our borders in terms of resource location and capacity - in terms of the Fiji Detector Dog Unit? How many and where are detector dogs located at our borders and how often are these detector dogs present during any flight arrival and departure at local and international airports?

MR. U. SINGH.- Through you, Sir, we have got Dog Detector Units in Nadi and Suva. The plans are to locate another Dog Detector Unit in Savusavu, given the increase in the marina activity and yacht activity there. To answer your question around the presence of the dogs at the airport and other arrivals, those are on a targeted basis. They are not there on every flight. However, they are there during selected flights that we consider risky and that is to do with the very limited number of dogs that we have, in fact, two in Suva and two in Nadi.

We are working closely with the dogs that are on the police side as well. We have a joint operation with the Police. They have their own requirements in terms of those dog units, we have as well, so there are drug-related dogs that are trained to do that and, obviously, Police have their own dog requirements.

We have a shortage of dogs. We are working very closely with the New Zealand Customs to train our dog handlers, but also to provide dogs. There is a plan over the next 12 months to 24

months to bring a number of other dogs that will be located in the northern part of Fiji. We are also working with our agency counterparts, Fiji Airports and Police, to increase the number of dog availability at the airports.

DEPUTY CHAIRPERSON.- I understand this is a COVID report. It is noted that you have other aspects of it because as Fiji's taxation regulation and it is now implemented on the people, I think it is an ongoing process, when we see a lot of data on the trends that has been available in the report, my first question is what is the cost of this online portal system?

MR. S. NATH.- The cost of the portal in terms of the sunk cost over that period of time from 2018 is around \$40 million. Ongoing costs is around \$2 million to \$3 million a year. We will be reducing some of that support costs on an annual basis in the next two years to come as we transition some of the support costs from the vendor across to our own organisation. We will potentially replace that cost - the \$2 million, by another half a million by setting up our own support unit, whether that is in-sourced or outsourced. We are still working with our Board on that matter but for all intents and purposes, the purchase development and development of the system is complete. Any enhancements are on a routine and ongoing basis.

DEPUTY CHAIRPERSON.- When anything goes digital, it becomes vulnerable to being hacked. In terms of security, what is ongoing for FRCS with safeguarding our data from being hacked or being leaked?

MR. U. SINGH.- Thank you, Deputy Chairperson. Again, we have a very comprehensive business continuity and cybersecurity plan. Our Board, in association with our external partners, are looking now to enhance our disaster recovery plans and also our cyber security plans. That includes looking at going online in terms of having systems online that we can recover from, and looking at the number of systems that effectively protect external parties from coming in. We have a number of gateways that are being put in place to look at that risk.

We are also working with external parties to do a penetration test of our system, to ensure that the vulnerability is found and that we are mitigating that with our own risk management systems.

DEPUTY CHAIRPERSON.- There was a question about data on Fiji's taxes and how regressive or progressive for FRCS, for government and then for the people of the country. You have mentioned about corporate and the 30 percent threshold, but you did not talk about VAT. Is there any data or research being done in terms of how the increase and decrease in VAT has

implications on people's ability to access goods and services, poverty level, the state of living, et cetera? Is there any work on that?

You will need to understand that these live submissions are opportunities to inform the people of the work that is being done by these entities, or what it takes financially or resource capabilities. In terms of public information, if there is work or data around this, of how increase or decrease, in particular in VAT, impacts the people of the country, the poverty level, the stakes, and if FRCS plays a key role in advising any government that these are the implications or what we need to have done to have a balanced environment in terms of VAT because that is something that has been widely spoken about. We would like to hear your views on that.

MR. S. NATH.- Thank you, Deputy Chairperson. Yes, VAT is also called a consumption tax or a tax on goods and services. Again, there was an increase from 9 percent to 15 percent. As far as the tax office is concerned, we work very closely with the Ministry of Finance in terms of doing consultations, research, and the impact of how this will affect the prices, so there are two things.

First, the rates, when it was increased, was actually reverted from. Yes, 9 percent to 15 percent was a big jump but we used to be at 15 percent at one stage. At that point, it was felt that government had to balance the VAT rate versus increasing its revenue because we were affected so badly by COVID and the reduction in revenue was about 50 percent. Therefore, there was a need to increase revenue to meet the critical government expenditure.

Having said that, the increase from 9 percent to 15 percent was very sound. As I have said, it reverted to what it used to be, it was 15 percent at one stage, and the 21-zero rated items were maintained. Actually, it was increased to 22 items. Therefore, it was felt that the 21 to 22 percent items which actually makes up about 45 percent to 50 percent of the consumption basket was maintained at zero. The ones that was increased from nine percent to 15 percent, we worked very closely with the Ministry of Finance and FCCC to ensure that the increase in prices were only 6 percent, or 5.5 percent, if we really apply the technical side of it.

What we faced was, while that was increased by 6 percent, the increase in the actual prices were much higher than that. While some of the vendors or VAT-registered companies, VAT-registered service providers were very honest, some used VAT as a vehicle to increase their prices higher and use that opportunity to make profit. You must have heard a few commodities been mentioned by the Ministers and Permanent Secretaries. We had worked with those industries to reduce the prices overnight because it was felt that the prices went up by 200 percent or even 300 percent. Those were some of the issues.

In summary, it was increased to manage government revenue, but measures were in place - zero rating and ensuring that VAT prices did not went overboard, it should only be 6 percent, which was the increase in the VAT component.

We continue to do research. Again, this year, as it is VAT is one of the biggest revenue takers. It actually contributes to about 45 percent to 50 percent of the total government revenue. This year, again, it will be in discussion, and we have to make a sound decision. Any increase or decrease will impact, so we have to have that balance. The reduction will, of course, impact government revenue, however, we know its direct implication on the prices and the day-to-day livelihood of the people, so we will have to make some decisions. There will be discussions, of course, during the National Budget this year.

MR. U. SINGH.- In addition to that, Deputy Chairperson, one of the challenges with the basket of goods that are in the 22 items is that while it is put together for a targeted socio-economic, the whole population benefits from that. So, the challenge is how you specifically target socio-economic and that is one of the challenges that our economy has, in terms of specifically targeting that exact socioeconomic that you want to benefit because all of us are accessing those 22 items, not only that socioeconomic. That is one of the challenges that, I guess, all governments will have.

DEPUTY CHAIRPERSON.- Sticking to taxes, we understand there are two Annual Reports before us and minimum wages has been something that has been an ongoing process, th particularly with this period. Can you highlight what the corporate text was then, and do you conduct consultations with businesses?

If you increase minimum wages, which has been happening for a period of time, businesses need to be given some tax cushions so that businesses survive - hours are not cut off, staff are not sent home, so during this period, in particular, were consultations done with businesses in terms of corporate tax, in terms of being a COVID period and how concessional loans or any other assistance was provided?

MR. S. NATH.- Yes, during this period, the corporate tax was at an all-time low of 20 percent, which is very reasonable and very competitive. Globally, 20 percent is one of the lowest. The corporate tax rates were increased much later after we have recovered from COVID in 2023 or 2024, so, it was at 20 percent. That was the general rate.

However, we also have a number of incentives or tax breaks, as you have said, in our tax structure. It is available to certain industries - tourism, manufacturing, medical, agriculture, nonrenewable, et cetera. Along with that, we have got area specific incentives, for example, if you invest in tax free regions, which is the entire Vanua Levu; the maritime islands, including Kadavu, Lau, Lomaiviti; and part of Viti Levu from Lautoka right to Nausori, except the city and the town boundaries, all those areas are tax free. So these are generally incentives that were already in place before the pandemic.

However, during the pandemic, because of the disruptions to the economy, to the businesses, there were specific incentives granted. That was through the tax regime. We had debt forgiveness, we had thin capitalization - very technical terms, like waiving of interest rates and so many other things. For rent, you would claim a deduction if you were giving out places for rent, warehouse incentives were brought in. Warehouse incentives were never in place but during the pandemic, if you build a warehouse, which is your normal business expense, you were given incentives for that. So, there were some COVID specific incentives along with the general incentives. That was from the tax regime that was given.

Along with that, FRCS also had flexible payment regimes. We were very lenient. As CEO mentioned earlier, it was actually a challenge to come out of that leniency post-COVID because during COVID, we have given a lot in terms of reducing the tax rate and plus other arrangements. So those were not given, and we understand that the minimum wage has an impact. Minimum wage is not directly related or does not directly come under the FRC's jurisdiction, but there were a series of consultations that were done.

Actually, during COVID, along with our annual budgets which is the standard budget every year, we had budgets in between and each budget went through a series of consultations with the private and the public sector. We had one immediately after the first wave and then we had one immediately after the second week. It was outside of the normal annual budget, so we get a number of budgets during that period and the consultations were quite extensive.

MR. U. SINGH.- Just to add to that, Fiji is very highly incentivised. In fact, it is one of the more incentivised economies in this region. We forego potentially up to \$1.5 billion in taxes on the incentives that we provide. Again, it is obviously policies to incentivise businesses in various sectors. There is tourism, agriculture, fisheries, a whole lot of other segments that we do incentivise. There is a lot of tax that is foregone. Obviously, those are policies that the various governments had put in place, and we are following through that.

DEPUTY CHAIRPERSON.- I will move on to staffing. Did you have vacancy opportunities available? Are people within FRCS fully staffed, fully functional and fully operational? Part two

of that question is, when was the last job evaluation exercise? If there is one, looking for an increment for the FRCS staff?

MR. U. SINGH.- On an ongoing basis, we have about 30 to 40 vacancies. Again, that is the function of basically the talent in the market and the whole hiring cycle. It affects about 5 percent, we have a very small amount complement of staff.

A job evaluation was conducted around 2022-2023 and it has been an organisational goal to actually do it every five years. We have just completed the last of the discussions and initiatives around job evaluation this year. That is completed and it will probably be some time for another job evaluation to come through.

DEPUTY CHAIRPERSON.- I will move on to some of the partnerships and MOUs and MOEs which FRCS has signed. I would like to thank your team because I have been following FRCS on the digital pages, and I am really happy to see the taxation trainings that have been carried out. I think that is necessary for anyone in business who are intending to be an entrepreneur. Is there any intention of signing an MOU with the Ministry of Education or has that been done already, of trying to get the road to entrepreneurship within the educational curriculum so that Fiji moves towards cultivating future entrepreneurs for the nation, for the region and for the world?

MR. U. SINGH.- Deputy Chairperson, that is a great point. We have actually met with the Minister for Education. Our awareness team are looking to put a programme together in association with the Ministry in terms of awareness of taxes, of government, and that is something that our team is working on.

Again, it is a curriculum issue. How that is put into the curriculum is something that we have to work with the Ministry, but that is certainly on the cards, and it is something that we are looking to try and instil in our young people as they come through it, an awareness on government taxation and the responsibility of all our citizens.

HON. I. TUIWAILEVU.- Through you, Deputy Chairperson, for enforcement and compliance, how many cases have resulted in the maximum fine of 25,000 or imprisonment for smuggling offences, as outlined in section 137 of the Customs Act?

MR. U. SINGH.- Certainly in my time here in the last 12 months, we have had two cases of fines where we have invoked that section. These have been due to omissions at the border where goods or contraband or other items have not been declared truthfully, so there have been a couple of cases where we have invoked those sections.

DEPUTY CHAIRPERSON.- I have a quick question on the customer survey with the report in 2021 and 2022. It says that a customer survey was conducted in August 2021 to determine service standards during the pandemic. The survey was sent to 24,000 customers, of which 1,752 responded. The feedback showed that most respondents said our services with regards to customer, staff and new tax systems have improved. So, 24,000 customers who received and only 1,752 responded. Is this customer survey an ongoing exercise? What are your comments on that? In fact, these numbers do not match for me – 24,000 and only 1,752 responded. Has there been any improvement with these numbers?

MR. U. SINGH.- Deputy Chairperson, we will be conducting a couple of services this year and one will be a customer survey. We will start working with our corporate and known customers. We have not gone out to survey yet. That will be completed by the end of this financial year. It is a target that has been put on us by our Board but certainly, it has been embedded into our requirements this year.

We are engaging with customers in a different level now. Our awareness teams are working right through the community, the Provincial Councils across Fiji, to create awareness, SMEs, we are working through our small and large taxpayer-base as well, which is what we call our goal card members. So, we have a very good feel of the pulse and vibe of the organization and we are starting to be more in tuned with our customers. We have just put in a toll-free line where customers can call in to FRCS on a toll-free basis. That is one of the touch points we have, so we are starting to become more aware of that customer engagement. At this point in time, that customer survey is not complete. Maybe in the next year, we will be happy to provide you with more details.

HON. V. LAL.- Just going back to your staffing question earlier, I know a number of employees were made redundant during COVID, and also the No Jab No Job policy. Now, it seems there is a change in this policy. Some of the staff who were made redundant, are they recalled?

MR. U. SINGH.- Yes, we have what we call a 'fit for purpose' programme where a large number of them were rehired, but they had to go through an interview process like all of the others, because we had a large number of them that were made redundant, so we had to put them through a program as well. They were not automatically hired back, they were put through a hiring process, and a number of them came back to be hired in the organisation.

HON. V. LAL.- On page 20 of this 2020-2021 Report, can you explain the whistleblower complaints on this report? I can see a number of complaints are there. Can you explain that, please?

MR. U. SINGH.- The whistleblower complaints is when a member of the public has a complaint about someone not being compliant with their taxes. They can anonymously write or call our service, and we have our internal assurance team that treats that complaint with confidentiality. They go through a process, they determine what the issues are, they might send those cases to our auditing compliance team, or they might work with other agencies where it is outside our scope of activity, for example, FICAC, Police, et cetera. So, that is the function that we are working on. With the whistleblowers, we have a number of cases that are in the pipeline and as always, these cases take a while to investigate because we have to work with the incumbent taxpayer that is being investigated, get those records and award them.

HON. I. TUIWAILEVU.- Through you, Deputy Chairperson, moving forward into the future strategic direction, what the lessons learned from the pandemic period as future border security strategy? How is FRCS planning to balance increased border security with facilitating tourism recovery and great facilitation? How does the border security strategy align with Fiji's overall economic development goals?

MR. U. SINGH.- With border security, one of the big lessons, obviously, was that we had resourcing issues during that period of time. Parts of our business are essential services, that is, our border enforcement team, and one of the big learnings was to effectively be more collaborative with other agencies - the Police, the Fiji Maritime Security Authority and Navy, to try and collaborate on key movements for border enforcement and security.

In terms of moving forward, we are working very closely with the Australian Border Force, a number of other agencies abroad – New Zealand Customs, to bring in new types of tools and strategies to work across our coastal borders. We are looking to put in a Container Examination Facility - one in Suva and one in Lautoka, to be able to x-ray most of the containers, if not all, to reduce contraband and the like. Also, we are looking to work closely with Police and Navy in areas around Fiji where we have very little resource and these are out in the Yasawas, Udu Point, out in the Lomaiviti Goup, where we have access from small craft and other vessels.

We are also working closely with the Navy. We have a person that is inside the Navy Intelligence Team, who is working directly with our team to actually work on intelligence and targeting. So, we are working with new tools, satellites, and we are looking to see how we can deploy drones in some parts of Fiji and also looking at surveillance vessels in areas like Lau, Lomaiviti and parts of the North.

HON. V. LAL.- One last one question from me, Deputy Chairperson. Again, on page 25 of this 2020-2021 Report, I can see the border security assistance package as part of the Australian Vuvale Partnership, involving the donation of \$100,000 worth of IT equipment. Can you shed more light on this, please?

MR. U. SINGH.- Some of this relates to surveillance equipment, Deputy Chairperson. We are putting backend cameras at the airport and also at some of the ports. We are also looking at equipment that is related to drugs - detection of drugs – at various parts of the border in terms of securing the back-end operation for testing this. So that is the nature of some of the work that we are doing through the Vuvale Partnership.

DEPUTY CHAIRPERSON.- One of the Memorandum of Understandings that you have with the FNU, I believe that as legislators for now and future generations, I think it is really important for your policies to be backed up by data - quality data, and that is available in our academic institutions. We even had all the academic institutions before us for the BBNJ Treaty last week. Is there any plans on MOUs with University of Fiji, USP, et cetera? If you can highlight what this MOU with Fiji university was about, so that we could have a clear understanding of FRCS's shared interest and goals with the academic institutions?

MR. R. GOUNDAR.- The MOU with FNU was done in relation to the data that we share with FNU in terms of the assessment of their graduates. They have reached out to us to do an assessment of how their graduates are performing and how much they are earning. They reached out to us with their student details and in return, we provide them with the incomes and their employer. However, when we returned back the data, we are mindful of the confidentiality and we do not disclose any student name where the incomes and particular details can be matched. However, the programmed curriculum and the income earned by the student or the candidate can be identified only.

DEPUTY CHAIRPERSON.-Was that just with FNU?

MR. R. GOUNDAR.- Yes, just with FNU.

MR. S. NATH.- If I could add, Deputy Chairperson, that was following FNU reaching out to us and in order to share any sort of data, first, as I had mentioned, we cannot share personalised data. Even with aggregated data, we need to have an MOU. So, we have to enter into an MOU to share the data. That is part of our confidentiality clause.

That MOU was specific for that reason, but we are working very closely with all the universities in terms of getting our taxation and customs curriculum in their programme. Different

universities, we have different stages. I think with the FNU, we have more advanced stages. We already have a customs programme there and working with USP as well to implement taxation and customs programme.

Secondly, in relation to your earlier question on how we are getting taxation and customs inbuilt into the education programmes, we also have this TAFE programme whereby we try and get second and third year students from all universities into FRCS's workforce. We started with this programme last year with the support of the Australian Tax Office whereby there is a qualifying criteria. You have to have a certain level of GPA, et cetera. You apply, you go through an interview process and you get paid employment with us. You start with the customer service and then you are stationed in different areas of FRCS.

It is a two-year programme and we are targetting second year students. So, by the time you finish your programme which is mostly three years, you are a graduate and you have a fulltime paid job at FRCS. You do not have to start from scratch when you enter into the workforce, you already have two years' experience. That is something we have started last year and year one has really given us good results. We are trying to extend the number. We just started with less than 10, this year we are planning to have more than 10 because it has budgetary implications as well because we pay them, and we are paying them at a good level, at Assistant Tax Officer level. That is a good initiative we have rolled out. It was a mix of students from different universities.

HON. V. LAL.- How do you do the selection of these students?

MR. S. NATH.- It is like any other recruitment process. We do an Expression of Interest, vacancies go out in the mainstream media and social media. They apply and then they go through the normal interview process.

DEPUTY CHAIRPERSON.- just a question on FRCS advisory, which organisation or group is FRCS part of to relook at their operations, tax policies, or do you get in consultants? I know you have local consultations but where do you look up to?

MR. U. SINGH.- We work with PIFTAC which is a subsidiary of the International Monetary Fund that we work closely with. We also work with some international organisations like the World Customs Organization (WCO), who do provide quite a lot of capacity building. There is the Pacific Islands Tax Administrators Association (PITAA), there is Commonwealth Association of Tax Administrators (CATA) and Study Group on Asia-Pacific Tax Administration and Research (SGATAR). So, we do work across a lot of organisations which are global and they provide both frameworks for both, taxation and customs.

DEPUTY CHAIRPERSON.- Is Fiji blacklisted anywhere in terms of accounts, finances, taxation, globally?

MR. S. NATH.- Yes, Fiji was blacklisted in 2018 under the European Union (EU). It is a programme which looks after international tax centres. That is the informal term. The formal term is Fiji is regarded as a non-cooperative jurisdiction for taxation.

We underwent an assessment programme by the EU in 2017-2018. Issues were identified, and Fiji was given 12 months to rectify. In those 12 months, Fiji was placed into a grey list. That is something before we were blacklisted. Fiji made some commitments, unfortunately, we did not honour those commitments so in 2019, we were blacklisted. Now, we are working on these requirements and we have actually come a long way.

We are blacklisted under three different categories – tax transparency whereby we need to have exchange of information platforms across jurisdictions so that if we had M & Es operating across jurisdictions, there is visibility about their tax affairs, their finances and everything.

We have undergone a lot of progress in that area, and it is not just the FRCS, with banks, the financial sector, Attorney-General's Office, Ministry of Finance, including the RBF, everyone is on board because this is not just the FRCS whose being assessed but the entire financial sector. So, we have joined the global forum, and we are implementing a number of platforms. This is the first area.

The second area is harmful taxation. Some of our policies were regarded as harmful for promoting a company setting up in Fiji whereby, they would pay less taxes. We do not agree with it. Of course, we have our argument, et cetera, but the EU have given us the reason why they felt that way, so we have actually removed one of the three completely. We have amended the second one and the third one is undergoing review, so we are planning to make some calls on the third one is this budget as well.

The last one is fairly simple, it is called Base Erosion and Profit Shifting (BEPS) standards. They have identified four standards which we need to implement. Again, this is at a very progressive stage, and we are seeking assistance with the Australian Development Bank, PIFTAC. The EU and OECD are also helping us to implement these standards which are fairly straightforward – noncontroversial, so if everything goes in order, we should be out of the blacklist in the next 12 months to 18 months.

DEPUTY CHAIRPERSON.- Thank you for the information which is really for people to understand. I see that you have a staff breakdown by location. You have 10 outlets, and to my information, I think in the Ba outlet, the lock was put on the door. Is it better for FRCS to rent spaces or is it better to be in a government building? Is it a big part of FRCS expenditure in terms of paying rent to commercial companies, or is it better to move into government spaces and have other services, like FPNF and other government buildings closer by so it is easier for people to access in the future?

MR. U. SINGH.- That is a very good question. Certainly, our Board have been discussing this with the management team. We have had a number of challenges in that area because as you alluded to, the Ba issue where a taxation which was not related to the landlord tenant relationship basically got confused. We were the regulator, providing them with taxation. They were our customer; however, they were the landlord as well. So, that relationship spilt over into the lockout, as you alluded to.

In a lot of ways as a regulator, we need to be in control of our premises. We cannot afford lockouts because we are a customer facing organisation, but to make another important point, we are a border enforcement agency and we cannot be at the behest of an angry landlord, so it is a very important consideration that we are putting to our Board is 'where' and 'how'.

In terms of rental, we are located in a government hub, and that is fine because, obviously, the access by the community is easier and it is something we will endorse. However, the type of services we provide blends itself to some leeway of specialisation and parts of our facilities we have a dog unit, and we have border enforcement, so some of those require some specialist type of activities, and that is something that we are working with our Board at the moment.

DEPUTY CHAIRPERSON.- Due to time constraints, I would like to sincerely thank the FRCS Team for coming here and having a very comprehensive discussion with us. I thank the Committee members and Secretariat for making this possible.

The Committee will be conducting site visits at your offices in Lautoka, Nadi, Labasa and Savusavu next week, and the Secretariat will be emailing you of our intended visit.

[Vote of Thanks – Deputy Chairperson]

The meeting adjourned at 10.04 a.m.

Written Responses



**FIJI REVENUE AND
CUSTOMS SERVICE**

STANDING COMMITTEE ON FOREIGN AFFAIRS AND DEFENCE

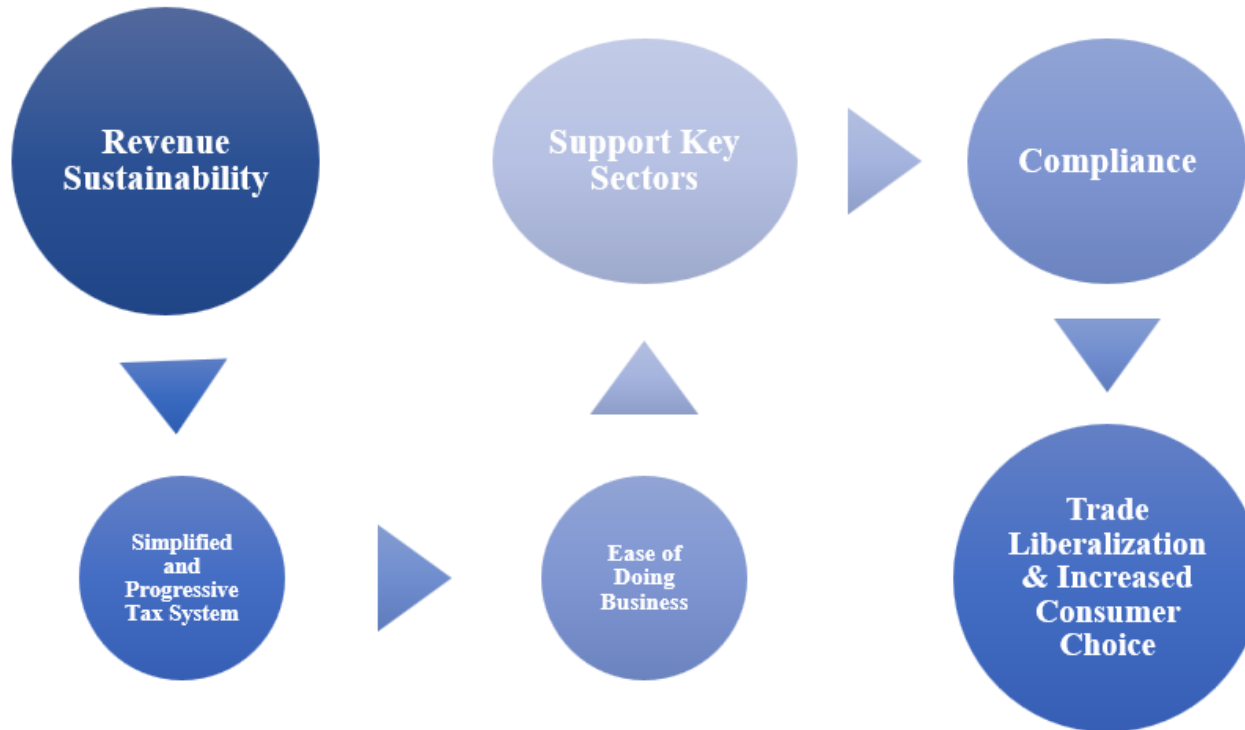
FIJI REVENUE & CUSTOMS SERVICE 2020 -2022 ANNUAL REPORTS

GENERAL OVERVIEW

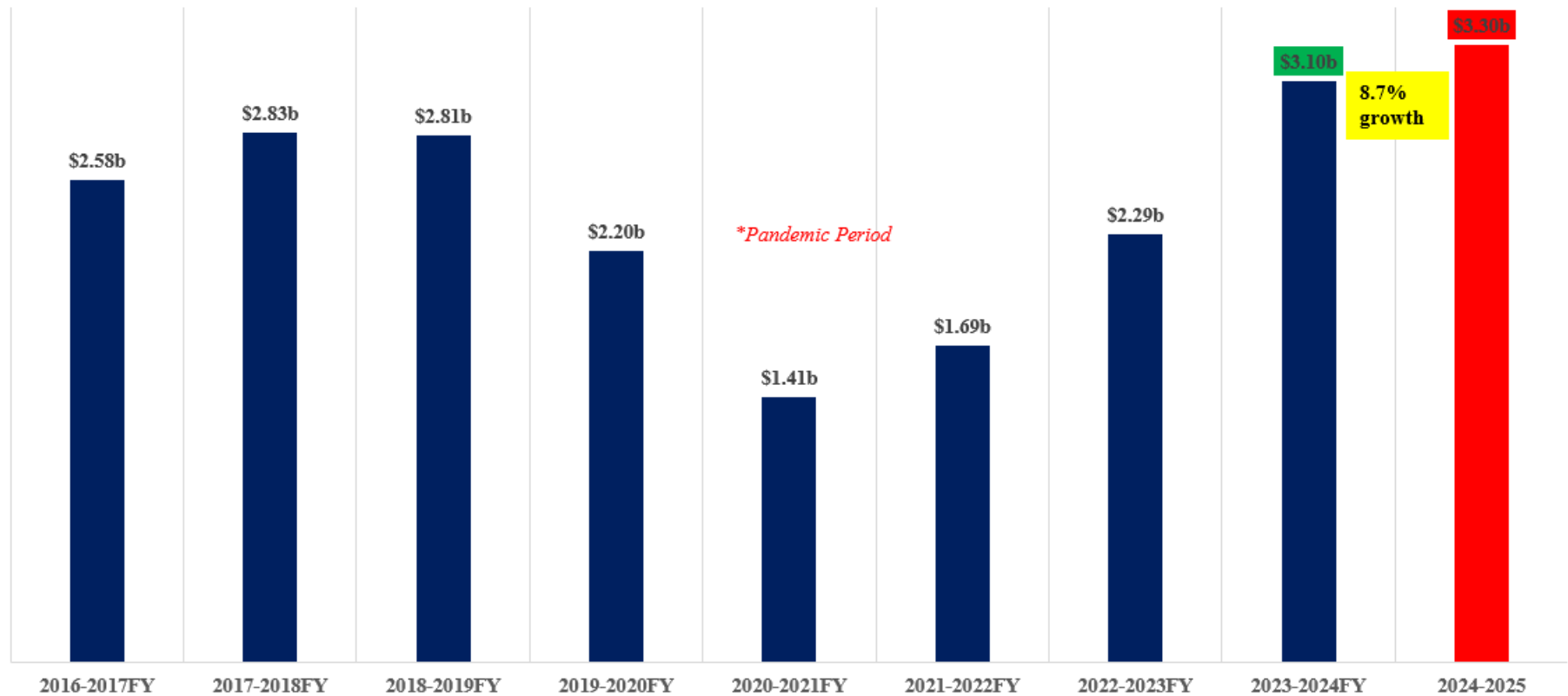
- Fiji faced significant challenges between 2020 and 2022, including the devastating impact of Cyclones Yasa and Ana, and the onset of the COVID-19 pandemic. This period saw the nation grappling with economic instability which led to a major decline in the government revenue along with organizational staffing issues, and changes in leadership impacting both staffing and service delivery.
- Despite these hardships, the organization demonstrated resilience by fulfilling its core responsibilities and implementing crucial initiatives. Notably, it facilitated the government's COVID-19 Concessional Finance Support Packages for MSMEs, conducted national budget consultations for 2020/2021 and 2021/2022, and launched the Container Control Programme (CCP) to strengthen border security.
- Furthermore, seven new processes were added to the Taxpayer Online System (TPOS), enhancing digital service delivery. While the rollout of the New Tax Information System (NTIS) encountered challenges, the organization has progressed through the final stages.
- To address staffing shortages, a re-hiring process was initiated, focusing on former employees, which significantly reduces training time, especially on the TPOS platform.



Revenue Policies Thematic Areas "Ensuring Revenue Sustainability for Government Expenditure"



Tax Revenue Trends



2020-2021 FISCAL YEAR INSIGHTS

- The fiscal year 2020-2021 concluded with a total revenue collection of \$1,412.7 million, representing a 96.4% achievement rate against the projected annual target. This outcome signifies a cumulative revenue shortfall of \$53.1 million, equivalent to 3.6% of the anticipated revenue. This variance from the projected target warrants a deeper examination of the contributing factors, particularly within the context of the unprecedented economic disruptions caused by the COVID-19 pandemic.

Tax Revenue Composition and Key Contributors

- The composition of the collected revenue reveals a reliance on a few key tax categories. Value Added Tax (VAT) emerged as the primary revenue generator, contributing approximately 31.3% of the total revenue. This highlights the significance of consumption-based taxation within the nation's fiscal framework. Following closely, Income Taxes accounted for 30.1% of the overall revenue, reflecting the importance of corporate and individual earnings in the tax base. Trade Taxes, encompassing import and export duties, contributed 28.3%, indicating the impact of international trade activities on revenue streams. The remaining 10.2% was derived from Other Taxes and Levies, a category that includes a diverse range of other taxes and levies.

Impact of the COVID-19 Pandemic on Revenue Collection

- The COVID-19 pandemic had a multifaceted impact on revenue collection during this fiscal year. The pandemic's disruptive effects were particularly pronounced in sectors reliant on tourism, a cornerstone of the nation's economy. The sharp decline in international travel and tourism activities resulted in substantial contractions in tourism-related tax revenues. Specifically, taxes such as the Service Turnover Tax, Environment and Climate Adaptation Levy (ECAL), and Departure Tax experienced significant reductions, directly reflecting the diminished activity in the tourism sector. This downturn not only affected immediate revenue streams but also had spillover effects on related industries and businesses.

Value Added Tax (VAT) and the Influence of Containment Measures

- The collection of Value Added Tax (VAT), a crucial component of the overall revenue, was significantly impacted by the pandemic containment measures. Lockdowns and the closure of non-essential businesses, particularly in major urban centers such as Suva, Lautoka, Nausori, and Nadi, severely curtailed economic activity. Given that a substantial proportion of VAT-paying businesses operate within these locations, the restrictions led to a drastic decline in their revenue generation. Consequently, VAT collections were directly and negatively affected. This situation underscores the vulnerability of consumption-based taxation to disruptions in business activity and consumer spending.

Lessons Learnt

- The fiscal year 2020-2021 highlights the importance of diversifying revenue sources to mitigate the impact of sector-specific shocks.

2021-2022 FISCAL YEAR INSIGHTS

- The fiscal year 2021-2022 witnessed a notable resurgence in revenue collection, culminating in a total accrual of \$1,692.7 million. This figure not only surpassed the initial forecast but exceeded it by \$11.9 million, representing a 0.7% overachievement. This remarkable growth underscores the economy's resilience and its ability to rebound from the severe disruptions caused by the COVID-19 pandemic.

Shifting Revenue Composition: VAT Dominance and Sectoral Contributions

- A detailed examination of the total revenue composition reveals a shift in the tax mix, with Value Added Tax (VAT) emerging as the dominant contributor. VAT collections constituted approximately 39.0% of the total revenue, highlighting the increased consumer spending and economic activity that characterized the recovery period. Trade Taxes, reflecting the resumption of international trade flows, accounted for 26.1% of the revenue. Income Taxes, indicative of improved corporate profitability and employment rates, contributed 25.2%. The remaining 9.7% was derived from Other Taxes and Levies, encompassing a diverse range of smaller tax contributions

Customs Revenue Performance: Navigating Inflationary Pressures

- Net Customs collections showed a commendable performance compared to the previous fiscal year, demonstrating the resurgence of international trade. Import VAT, Fiscal Duty, and Domestic Excise remained the primary drivers of Customs revenue. Notably, the inflationary pressures stemming from elevated food and energy costs, while posing economic challenges, inadvertently contributed to the increased revenue from a customs duty perspective.

Tourism Sector Revival: A Catalyst for Economic Growth

- The re-commencement of international travel served as a pivotal catalyst for economic revitalization, particularly within the tourism sector. The resurgence of tourism generated positive spillover effects across sectors linked both directly and indirectly to tourism. The introduction of new flight routes and increased flight frequencies to Fiji, coupled with heightened occupancy rates in local hotels and resorts, underscored the sector's robust recovery. The recovery in tourism indicates a broader recovery in the service sector of the economy. This positive movement of the service sector is a large driver of VAT collection.

Lessons Learnt

- The revenue growth, coupled with the shift in tax composition and the revival of the tourism sector, signals a positive trajectory for future economic development. However, it is crucial to remain vigilant regarding global economic uncertainties, particularly inflationary pressures and potential disruptions to international trade.



WOMEN EMPOWERMENT & SDGs

- The data shows a positive shift towards gender equality in the workforce, with female representation increasing from **50% in August 2021 to 57.4% in August 2022**.
- While the total staff count declined, the proportion of female employees grew, indicating efforts to enhance women's participation in the workplace. This progress aligns with **SDG 5 (Gender Equality)** by promoting inclusivity.

Category	Total	Male	Female	% of Female
Staff roll @ August 2021	698	349	349	50.0%
Staff roll @ August 2022	566	241	325	57.4%

- Furthermore, the current FRCS executive team demonstrates gender balance, with 4 out of 8 leadership positions held by women. This reflects progress toward **SDG 8 (Decent Work and Economic Growth)** by expanding opportunities for women and addressing gender disparities in employment.
- Additionally, by increasing female representation, the organization supports **SDG 10 (Reduced Inequalities)**, fostering greater equity in access to career opportunities.



CHALLENGES

- Restoring and reinforcing compliance following a period of pandemic-related leniency.
- Many businesses, especially SMEs, continue to struggle with lingering debt, reduced cash flow, and disrupted supply chains, making it difficult to meet their tax obligations. At present, while the challenges remain, improvements in compliance have been noted. This is due to the provision of continuous support through awareness and education. Stringent measures are also adopted where necessary.
- The introduction of a new Tax Information System brought its own challenges, including initial implementation issues, integration complexities, and the critical need for taxpayer engagement. We have come a long way in this space as well, with continuous system enhancement and private sector consultation.
- Fiji being the hub of the Pacific, will continue to face new and emerging trends and challenges at the border.



Future Outlook

- Simplified Policies and Processes
- Enhanced New Tax Information System
- Tax Crime Taskforce
- Strengthen Border Enforcement
- Trade Facilitation



THANK YOU



Standing Committee on Foreign Affairs
and Defence Site Visit to the Fiji
Revenue and Customs Service (FRCS)

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09/04/25 – 11/04/25

Images Taken During the Standing Committee on Foreign Affairs and Defence Site Visit to the Fiji Revenue and Customs Service on Wednesday 09 April – Friday 11 April 2025.

The Standing Committee on Foreign Affairs and Defence undertook a site visit to the Fiji Revenue and Customs Service (FRCS) offices in Nadi, Savusavu, and Labasa as part of its review of the 2020–2022 Annual Reports. The visit provided the Committee with valuable first-hand insights into FRCS’s operations, particularly in the areas of border management, revenue collection, and trade facilitation. Emphasis was placed on the agency’s vital role in safeguarding national security by monitoring and regulating the movement of goods and people across Fiji’s borders. Committee members received briefings on the use of technology, enforcement initiatives, and compliance frameworks aimed at protecting the nation’s economic and strategic interests. The Committee commended the commitment and professionalism of FRCS staff and recognized their key contribution to enhancing border security and advancing Fiji’s foreign affairs and defence priorities.

Wednesday 09 April 2025

Site Visit: Fiji Revenue and Customs Service, Nadi.



Thursday 10 April 2025

Site Visit: Fiji Revenue and Customs Service, Savusavu.



Friday 11 April 2025

Site Visit: Fiji Revenue and Customs Service, Labasa.

