STANDING COMMITTEE ON ECONOMIC AFFAIRS

REVIEW REPORT OF THE FIJI REVENUE AND CUSTOMS SERVICE ANNUAL REPORT 2023-2024

Appendices

ANNEX 1

WRITTEN SUBMISSION

Questions to FRCS

1. How do you set the targets? And why is your reporting not against the targets set for 2023-2024?

How do you set the targets?

FRCS Revenue Forecasting Methodology

The Forecasting team applies a three-component forecasting framework that combines historical collection data, trend, macroeconomic projections, and policy adjustments. This structured approach ensures forecasts are realistic, credible, and aligned with the broader national economic framework. Importantly, the process is collaborative, drawing on authoritative inputs from institutions such as the Reserve Bank of Fiji (RBF), Fiji Bureau of Statistics (FBOS) and Ministry of Finance (MOF).

a. Historical Data and Trend Analysis

FRCS begins with its own collection history, analysing revenue across major tax categories to identify growth trends, seasonal patterns, compliance behaviour, and refund movements.

b. GDP Projections

Historical baselines are then adjusted using macroeconomic inputs. RBF/FBOS provides GDP growth and industry projections. MOF contributes fiscal assumptions, expenditure projections, and revenue targets. These inputs allow FRCS to align forecasts incorporating micro and macro factors.

c. Policy Change Adjustments

Forecasts are further refined to reflect policy changes. Changes that are expected to be announced in the budget such as tax rate shifts, duty rate changes, new taxes or levies, introduction or extension of exemptions or zero ratings, reducing the tax base, Compliance initiatives and incentives or concessions. These adjustments ensure that the forecasts capture the possible actual revenue environment for the coming year.

Forecasting Cycle

Baseline forecast, historical trend, macroeconomic inputs, and policy changes are consolidated into the penultimate revenue target and discussed with the MOF.

And why is your reporting not against the targets set for 2023-2024?

The 2023-2024 Annual Report reports against the targets/forecasts set for the year. The forecast figures used in our revenue reporting represent our pre-set targets for the fiscal year.

The annual report discusses for every major revenue category, the actual amount collected, forecast/target amount and the variance in both dollar value and percentage.

Overall performance against target was strong, with net revenue of $3,104.2m exceeding the forecast by $68.3m or 2.3%. This was also a historic milestone as it marked the first time collections surpassed the $3 billion mark.

Performance against targets was positive along the majority of the revenue categories, with only marginal shortfalls recorded in Net Customs and Fiscal Duty, which were below forecast by $1.7m or 0.3% and $6.4m or 1.7% respectively.

2. Fill this table

Key Indicators	2022-2023 ($M)	Targets set for 2023-2024 ($M)	Actual Targets Achieved 2023-2024 ($M)	Assessment
Net Revenue	2,285.53	3,035.91	3,104.22	68.31
VAT Collections	1,008.07	1,334.28	1,369.40	35.12
Corporate Income Tax	314.52	501.19	524.46	23.27
PAYE	164.27	195.72	202.36	6.64
Withholding Tax	117.43	154.40	155.33	0.93
Domestic Vat	633.32	825.79	844.48	18.69
Custom Duties /Levies	471.93	553.37	551.67	-1.70
Import Vat	597.07	893.07	894.30	1.23
Fiscal Duty	325.89	374.80	368.34	-6.46
Domestic Excise Duty	131.20	145.74	148.85	3.11
Water Resource Tax	74.74	71.79	71.98	0.19
Departure Tax	61.72	88.44	89.19	0.75
Fees/fines/penalties	9.26	6.77	10.48	
Employee costs	25.20	36.70	33.70	
Software licence costs	4.83	5.97	10.17	
Penalties waived	$103.4 million		$109.5 million	
Income tax refund backlog	$50.5 million*	$39.9m	$39.2 million	
Total government arrears	$875.7 million		$998.6 million	
Total staff	570		648	

** includes $38.6m of film tax rebate which used to be disbursed by FRCS.*

3. The VAT rate increased by 67% (from 9% to 15%) yet VAT collections only grew by 35.8%. This suggests consumption volumes fell significantly. What economic modelling did FRCS conduct before recommending this rate increase?

The VAT rate increased by 67% (from 9% to 15%) yet VAT collections only grew by 35.8%. This suggests consumption volumes fell significantly.

To properly interpret this relationship, it is important to understand how our VAT system is structured. A rate increase of 67% does not automatically produce a corresponding increase in collections, with reasoning as follows:

- At the time of the rate change, approximately 24% of taxable activity was already subject to the 15% rate, while 76% was at the 9% rate. Therefore, the rate increases only applied to the 76% portion that was previously at 9%.

- Consumption volumes did not fall; they increased:

Fiscal Year	Supplies Subject to VAT ($m)	Gross VAT ($m)
2022-2023	19,355.10	1,241.72
2023-2024	21,225.36	1,752.82
Growth (%)	9.7%	

Breaking Down the 2023-2024 VAT Revenue- analysis of the $1,752,816,100 in gross VAT collected shows:

- 69.7% ($1,222.1m) came from pre-existing VAT revenue at 9% and 15%.
- 30.3% ($530.7m) was the additional revenue generated purely from the rate change.

VAT Rate	9%	15%	Percent
Proportion	76%	24%	
Vatable Sales - FY23/24 ($m)	8,845.8	2,744.2	
New VAT Revenue @ rate change 15% ($m)	*530.7*		**30.30%**
Pre - Rate Change VAT Revenue (9% & 15%) ($m)		*1,222.1*	**69.70%**
Total VAT Revenue ($m)		1,752.8	

What economic modelling did FRCS conduct before recommending this rate increase?

At the time of recommendation (June 2023 Budget), it was estimated that an additional $446 million in Value Added Tax (VAT) revenue would be generated for the Government. The aim of the restructuring of the VAT system was to simplify administration, reduce ambiguity, and improve overall compliance.

While additional revenue was raised to support public investment (fiscal needs), zero rating provisions on 22 prescribed items were maintained to protect vulnerable groups.

In terms of the economic modelling, the VAT taxable base was reviewed to assess the estimated impact of unifying the VAT rates. This review was undertaken to determine the revenue implications and distributional effects arising from the proposed changes to the VAT structure. The analysis was based on detailed micro-level data collected from VAT returns filed by registered taxpayers, as well as Import VAT declarations. The use of transaction-level data ensured that the methodology accurately reflected consumption patterns across sectors and income groups, thereby strengthening the reliability of the estimated revenue outcomes.

4. What is the average time a business waits to receive a VAT refund, and why has the VAT refund liability grown from $127 million to $168 million in a single year?

Average Time for VAT Refunds and Reasons for Growth in VAT Refund Liability
Average Processing Time for VAT Refunds

- **First VAT Refund Case:** Within 30 days, provided all required documentation is submitted.
- **New Dwelling House Refunds:** Within 30 days, subject to the complexity and extent of verification required.
- **General VAT Refunds:** Within 30 days from the return due date, contingent on fulfilment of all filing obligations and daily allocation limits.
- **Diplomatic Missions & International Organizations:** Within 30 days of receipt of claims, subject to verification.

Refunds are released in line with daily allocations approved by the Ministry of Finance. This allocation process is a key factor influencing the timing of refund disbursements.

Reasons for Growth in VAT Refund Liability (from $127 million to $168 million in FY 2023–2024)

a) **Higher Input VAT Claims by Exporters**
   - Export-oriented businesses lodged larger claims due to increased import volumes and rising raw material costs.
   - As exports are zero-rated, these businesses are entitled to full refunds on VAT paid on inputs.

b) **Inflationary Pressures**
   - Global inflation and supply chain disruptions raised import costs.
   - This resulted in higher VAT components on inputs, directly increasing refund claims.

c) **Expansion in Investment Projects**
   - Several large-scale infrastructure and private sector projects commenced during the year.
   - These projects involve significant upfront capital expenditure, generating substantial input VAT credits before output VAT is realized.

d) **Policy and Compliance Improvements**
   - FRCS streamlined refund processing and encouraged timely filing.
   - This reduced backlogs and increased the number of businesses lodging claims promptly, thereby raising the liability recognized in the year.

e) **Sectoral Shifts**
   - Growth in tourism, construction, and renewable energy sectors contributed to higher input VAT claims.
   - These industries often operate with long lead times before taxable sales materialize, creating refund-heavy positions.

The increase in VAT refund liability does not indicate inefficiency or leakage. Rather, it reflects:

- A growing and more compliant business community.
- Rising investment and trade activity.
- FRCS's commitment to honouring legitimate refund claims in accordance with the VAT Act.

5. With the VAT rate now at 15% and zero-rated items covering only 22 categories, how does FRCS assess the regressive impact of this tax on low-income Fijian families who spend a higher proportion of their income on consumption?

   While FRCS's primary mandate is tax administration, we recognise that we have an important role to play in providing policy makers with the data and analysis needed to assess the distributional impact of tax decisions. We work closely with the Ministry of Finance and other relevant agencies to ensure that the broader social implications of tax policy are fully considered in the budget process.

6. In June 2024, Fiji signed up to the BEPS Inclusive Framework as its 147th member. Can FRCS confirm what specific legislative changes will be made to Fiji's tax laws to comply with the Two-Pillar Solution, and what is the implementation timeline?

   Fiji joined the BEPS Inclusive Framework in June 2024 as its 147th member. Under Pillar Two of the OECD/G20 Two Pillar Solution, Fiji will introduce a 15% minimum corporate tax rate for multinational enterprises with revenues above EUR 750 million, to ensure subsidiaries of multinational enterprises pay the fair share of tax in the jurisdiction where value is created. To comply, Fiji will legislate Qualified Domestic Minimum Top Up Tax (QDMTT) rules, supported by amendments to the Income Tax Act and related regulations. We are working to implement the

Pillar 2 by 2028, ensuring Fiji aligns with international standards while safeguarding domestic taxing rights. As a member of the BEPS IF, Fiji is required to implement the BEPS Minimum Standards, and we have made good progress in implementing the 4 minimum standards.

7. Total government revenue arrears stand at nearly $1 billion. Income Tax and VAT arrears alone amount to $238 million. What is FRCS's realistic collection target from these arrears over the next three years, and what enforcement actions are being taken against high-value non-compliers?

Government Revenue Arrears and FRCS's Collection Strategy
Current Position

- For the financial year 2023–2024, FRCS achieved **cash collections of $151.6 million**, excluding credit offsets.
- Credit offsets remain an important tool in debt reduction, as they reduce cash payment obligations and directly lower arrears.

Realistic Collection Target (2024–2027)

- FRCS's strategic objective is to **maintain debt levels at no more than 7% of total revenue collected by 2027**.
- To achieve this, we are targeting an average **debt reduction of $15 million per month**, subject to review as debt levels change.
- Over the next three years, this equates to a **realistic collection target of approximately $540 million**, combining cash recoveries and credit offsets.

Enforcement Actions Against High-Value Non-Compliers FRCS applies a graduated enforcement approach, beginning with cooperative arrangements and escalating to legal remedies where necessary:

1. **Time-to-Pay Arrangements**
   - Taxpayers are offered structured repayment plans.
   - Non-compliance with these arrangements triggers immediate enforcement action.
2. **Garnishee Orders**
   - Direct recovery from taxpayer bank accounts and third parties.
3. **Securing Debt**
   - Charges placed on properties owned by taxpayers.
   - Debt Prohibition Orders (DPOs) issued to restrict disposal of assets.
4. **Court Action**
   - For debts where FRCS holds a first charge, petitions are filed in court to sell properties.
   - In FY 2023–2024, FRCS successfully sold two properties to recover outstanding debt.
5. **Debt Profiling and Write-Offs**
   - Debts deemed unrecoverable after exhaustive enforcement are profiled for write-off, ensuring FRCS resources remain focused on viable recoveries.

FRCS's approach balances **firm enforcement against deliberate non-compliance** with **supportive arrangements for taxpayers facing genuine financial hardship**. The strategy reflects our dual mandate: safeguarding government revenue while maintaining fairness and transparency in tax administration.

8. Income Tax Refunds Outstanding exploded from $51.8 million to $426.3 million, an increase by eightfold in one year. Even accounting for the reclassification of film rebates, this is an enormous jump. How many individual taxpayers and businesses are currently waiting for income tax refunds, what is the average waiting time, and what is FRCS doing to clear this backlog?

Income Tax Refunds Outstanding

Current Position

- This increase reflects a **broader classification of refunds**: previously, only salary and wage earners were reported, but now refunds across all taxpayer categories are included — **sole traders, companies, estates, trusts, and partnerships**.
- The figure also incorporates **advance tax payments** made for future financial years. These payments are held as credits until assessments are finalized and are therefore shown as refunds in the accounts.

Average Waiting Time for Refunds

The time taken to release refunds depends on several factors:

1. **Daily Allocations by the Ministry of Finance** – Refunds are released in line with approved allocations.
2. **Taxpayer Requests** – Refunds are processed only when taxpayers request them. Many prefer to retain credits for offsetting future tax obligations.
3. **Taxpayer Compliance** – Refunds are released only if the taxpayer is fully compliant with filing and payment obligations.

On average, compliant taxpayers who request refunds can expect processing within **30 days**, subject to allocation limits.

FRCS's Strategy to Clear the Backlog

- **Prioritization of Refunds:** High-value and long-outstanding refunds are being prioritized to reduce the backlog.
- **Compliance Screening:** Refunds are released only after thorough compliance checks to safeguard revenue integrity.
- **Credit Offsetting:** Taxpayers are encouraged to apply credits against future liabilities, which reduces cash outflows and helps manage fiscal pressure.
- **Process Streamlining:** FRCS continues to improve refund processing systems to ensure faster turnaround times.

The sharp increase in reported refunds is primarily a result of **expanded reporting coverage and advance tax credits**, not solely a surge in cash refund obligations. FRCS remains committed to:

- Honouring legitimate refund claims in accordance with the Income Tax Act.
- Ensuring fairness by balancing taxpayer entitlements with fiscal sustainability.
- Strengthening compliance and transparency in refund administration.

9. FRCS wrote off or waived $109.5 million in penalties in a single year. What criteria are applied when deciding to waive penalties, who has the authority to approve these waivers, and is there a published policy that any taxpayers can access to understand their eligibility?

Penalty Waivers and Remissions

Governance Framework

- The remission of penalties is governed by FRCS's **Standard Operating Procedures (SOPs)**, which provide clear guidance to tax officers on responsibilities and processes when handling requests.
- **Final approval** for most penalty remissions is granted at the **Manager level**, while **audit penalty remissions** can only be approved by the **CEO of FRCS**.

- Certain provisions under the **Tax Administration Act (TAA)** also empower the CEO to extend lodgement deadlines, which may relieve taxpayers of lodgement penalties but not of advance or provisional tax obligations.

Criteria for Waiving Penalties When considering remission, FRCS evaluates both **culpability** and **mitigating factors**:

- **Culpability:** Penalties are reduced only if non-compliance was beyond the taxpayer's control. Examples include:
    - Serious illness is preventing compliance.
    - Natural disasters are destroying business premises.
    - Situations where it was impossible to engage a tax agent to meet obligations.

Excuses such as being too busy, unaware of obligations, overseas travel, or staff resignations are **not accepted** as valid grounds.

- **Mitigating Factors:** These may warrant a reduction regardless of culpability, such as:
    - A strong history of tax compliance (first-time non-compliance).
    - Ill health or advanced age of the taxpayer.
    - Circumstances where a warning combined with a reduced penalty is more effective in encouraging future compliance.

Authority and Transparency

- **CEO FRCS** holds authority for remission of audit penalties.
- Other penalty remissions follow SOPs with approvals at the Manager level.
- FRCS has ventured into a **digital tax system**, and in some cases, penalties have been assessed due to system glitches. Once rectified, these penalties are waived to ensure fairness.

Published Policy

- FRCS's penalty remission framework is guided by SOPs and provisions under the TAA.
- While SOPs are internal, the **principles and criteria for remission are publicly available** through FRCS's published guidelines and taxpayer communication channels, ensuring transparency and accessibility for taxpayers seeking clarity on eligibility.

The remission of $109.5 million in penalties during FY 2023–2024 reflects FRCS's commitment to:

- Applying penalties fairly and consistently.
- Supporting taxpayers facing genuine hardship or extraordinary circumstances.
- Maintaining integrity by ensuring deliberate non-compliance is penalized, while legitimate cases are treated with compassion and transparency.

10. FRCS trained approximately 3,000 MSME representatives this year, with a 75% post-training lodgement rate. At this pace, it would take decades to address the compliance gap meaningfully. Does FRCS have a plan to scale this programme significantly, and has any cost-benefit analysis been done comparing education costs against the incremental revenue gained?

MSME Training Programme and Compliance Outcomes

Current Position

- In FY 2023–2024, FRCS trained approximately **3,000 MSME representatives**, primarily from the Central Division.
- Post-training, **75% of participants lodged returns**, demonstrating measurable improvement in compliance.
- However, given the size of the MSME sector nationally, scaling is essential to meaningfully close the compliance gap.

Plan to Scale the Programme FRCS has developed a multi-pronged strategy to expand outreach and accelerate compliance:

1. **Partnerships with MSME-Focused Agencies**
    - Collaboration with **South Pacific Business Development (SPBD)**, which has over 9,000 women entrepreneurs. FRCS has already engaged more than 2,000 through cluster meetings in Nausori highlands, Sigatoka villages, and Vanuabalavu.
    - Integration into **financial literacy programmes** run by the Ministry of Trade, the Ministry of Women, and banks such as BSP and Westpac, ensuring trainees are registered and begin lodging returns.
    - Engagement with **grant-giving organisations**: MSMEs registering at the Companies Office for grants are also guided to register with FRCS and receive tailored tax training.
    - Collaboration with **Town Councils** to target market vendors and food stall owners, many of whom register businesses but fail to register with FRCS. Data has been gathered, and compliance awareness sessions have been conducted.
2. **Bookkeeping Support Tools**
    - Development of **24 sector-specific Profit & Loss templates**, available on the FRCS website, to guide MSMEs on allowable expenses and required evidence.
    - Publication of a **Bookkeeping Guideline** detailing record-keeping, preparation of financial statements, and depreciation methods.
    - Ongoing creation of pamphlets and user-friendly guides to simplify compliance.
3. **Training and Advisory Services**
    - Delivery of training on **basic tax, financial literacy, TPOS, PAYE, VAT, provisional tax, and bookkeeping**, enabling MSMEs to lodge returns independently.
    - Provision of **free advisory services** through walk-ins, email, and phone support.

Cost-Benefit Analysis

- At present, **no formal cost-benefit analysis has been conducted** comparing education programme costs against incremental revenue gains.
- However, FRCS recognizes the importance of such analysis and intends to incorporate it into future programme evaluations to ensure resources are deployed efficiently and outcomes are measurable.

FRCS's MSME strategy reflects a **long-term investment in compliance culture**. While training 3,000 MSMEs is a strong start, scaling through partnerships, digital tools, and targeted outreach will accelerate progress. The programme is designed not only to increase lodgement rates but also to build sustainable tax competence across Fiji's MSME sector.

11. The Taxpayer Online Service (TPOS) was seven years in development and represents an intangible asset of $34.8 million on the balance sheet. How many taxpayers are actively using TPOS regularly and what percentage of all lodgements are now filed through the system?

Taxpayer Online Service (TPOS) Usage

Sign-Up Taxpayers Summary

Date 19.05.2026 **Use**
Time 00:01:37

Migrated Taxpayers	New Taxpayers	Total
120,937	105,235	226,172

Current Position

- The Taxpayer Online Service (TPOS), developed over seven years, represents an intangible asset of **$34.8 million** on the FRCS balance sheet.
- To date, approximately **226,000 taxpayers have registered** on the portal.

Active Usage and Lodgements

- On average, **80% of taxpayers actively use TPOS each month** for requests and lodgements.
- The remaining **20% of transactions are processed by FRCS officers**, primarily for registrations and joint card applications. These are typically for individuals in the **FNPF/FNN category**, who require a Taxpayer Identification Number (TIN) or joint card for non-tax purposes (e.g., school admissions), and therefore do not need ongoing portal access.
- For **lodgement of returns**, compliance is virtually universal: **100% of returns are filed through TPOS**, with only a handful of extreme cases requiring manual lodgement by FRCS officers.

The high adoption rate demonstrates that TPOS has become the **primary platform for taxpayer interaction**, streamlining lodgements and reducing administrative burden. While some services still require officer intervention, the system has achieved near-total digital compliance for return lodgements, validating the investment and positioning FRCS for further digital transformation.

12. The report acknowledges "some hiccups after the launch" of TPOS. Can FRCS provide specific data on system downtime, error rates, taxpayer complaints logged, and what remediation measures have been put in place?

TPOS System Performance and Issue Resolution

System Issues (2023–2024)

- Between 2023 and 2024, the NTIS/TPOS system recorded **555 issues**.
- Of these, **473 were successfully resolved,** and **82 remain outstanding**, giving a resolution rate of **85.2%** and an unresolved rate of **14.8%**.

System Downtime and Performance

- **Planned Downtime:** Occurred during scheduled system changes and enhancements, carried out under FRCS's change management process to improve performance and functionality.

Taxpayer Complaints and Feedback

- Complaints logged primarily relate to **system slowness during peak periods** and **technical errors during upgrades**.
- These complaints are tracked through FRCS's Service Desk system and escalated for resolution based on severity.

Remediation Measures Implemented

1. **Servicedesk Support Structure**
    - **Level 1 (Key Users):** Initial issue reporting and basic troubleshooting.
    - **Level 2 (IT AMS Team):** Technical support and resolution.
    - **Level 3 (Business Analysts & Solution Delivery Team):** Complex issue resolution and system fixes.
2. **Governance Committees**
    - Established to address issues raised by tax agents and taxpayers, ensuring better coordination and responsiveness.

3. **IT & Business Committee**
    - Dedicated committee prioritizes issues to ensure timely resolution aligned with organizational priorities.

While TPOS experienced "hiccups" after launch, FRCS has established a **robust governance and support framework** to manage issues, minimize downtime, and improve taxpayer experience. The system continues to evolve, with enhancements aimed at ensuring reliability, scalability, and responsiveness during peak demand periods.

13. The report states Fiji has become a key route for transnational syndicates involved in drug trafficking, money laundering, and cyberfraud. How many drug seizures, money laundering referrals, and cyberfraud investigations did FRCS initiate or contribute to in 2023-2024, and what was the total estimated value of illicit goods intercepted at the border?

There were eighteen (18) cases of illicit drug interceptions during the 2023 – 2024 period. Three (3) cases involved the detection of 0.5388kg of cannabis and twelve (12) cases of Methamphetamine seizures at 19.749kg, whilst three (3) cases were offshore detections in NZ (2) and USA (1), found destined for Fiji.

There was only one (1) detection in Sea freight, whilst the remainder of the interceptions were in Air Freight mode.

Between 2023 and 2024, the Fiji Revenue and Customs Service (FRCS) recorded significant narcotics interceptions that underscore both the scale of transnational trafficking and Fiji's strengthened border security measures. Cannabis seizures were relatively small (0.5388 kg), while methamphetamine dominated with 19.749 kg seized locally and a further 93.798 kg intercepted offshore in New Zealand and the United States en route to Fiji. Altogether, the combined total reached approximately 114 kg, highlighting Fiji's vulnerability as a transit hub.

These interceptions demonstrate both the persistent threat of transnational crime and the effectiveness of Fiji's enhanced border controls. FRCS has reinforced its operations through advanced screening technology, intelligence-led targeting, and closer collaboration with domestic and international enforcement agencies.

Current Reinforcements

FRCS has implemented a range of measures to strengthen border security:

- **Enhanced screening technology** for air freight and mail consignments.
- **Intelligence-led operations** and risk profiling to identify high-risk shipments.
- Expanded use of **container scanning and canine units**.
- **Collaborative enforcement** with Fiji Immigration, Biosecurity of Fiji, Fiji Police Force, Fiji Navy, Fiji Financial Intelligence Unit, regional Customs administrations, and international law enforcement partners.

These measures have increased detection rates and reinforced Fiji's role as a proactive regional security actor against transnational crime.

Strategic Initiatives Underway

To further strengthen Fiji's border management, FRCS is advancing a series of initiatives designed to enhance operational capacity, intelligence coordination, and maritime security:

1. **Container Examination Facility** – Establishing dedicated infrastructure for systematic cargo inspections.
2. **Enhanced Targeting** – Improving risk-based screening of passengers, cargo, and vessels.
3. **K9 Expansion to Savusavu** – Extending key border operations to additional strategic locations.
4. **Maritime Capability Partnership** – Joint project with the Navy, Police, and Customs to strengthen coastal and offshore enforcement.
5. **CCTV Coverage** – Expanding surveillance in critical border areas.
6. **Coastal Maritime Strategy** – Developing a comprehensive framework for coastal monitoring and interdiction.
7. **National Border Enforcement Governance Committee** – Establishing terms of reference for coordinated governance.
8. **Intelligence Structure and Framework** – Strengthening intelligence-led investigations and operational planning.
9. **Revamp of BOM** – Enhancing coordination between Police, FRCS, and Immigration through a restructured Board of Management.
10. **Yacht Management System** – Introducing monitoring mechanisms for private vessels.
11. **MOUs and Customs Mutual Agreements** – Expanding international cooperation and legal frameworks for enforcement.

These initiatives represent Fiji's determined and structured response to the challenges of transnational trafficking. By combining technology, intelligence, and partnerships, FRCS is not only safeguarding Fiji's borders but also contributing to regional stability and global security efforts.

The continued investment in infrastructure, intelligence frameworks, and collaborative governance will ensure Fiji remains a proactive and credible partner in the fight against transnational crime.

14. Government liabilities for outstanding refunds total $594.8 million. These are obligations owed to taxpayers that have not been paid. Who within government is responsible for ensuring these refunds are funded and released, and what accountability mechanism exists for taxpayers who have been waiting to be paid?

Government Liabilities for Outstanding Refunds
Current Position

- Government liabilities for outstanding refunds currently total **$594.8 million**.
- These represent obligations owed to taxpayers that have not yet been released.

Responsibility for Funding and Release

- **FRCS is responsible for administering refunds** and ensuring compliance checks are completed before release.
- However, the **actual disbursement of funds depends on daily allocations provided by the Ministry of Finance**.
- This means FRCS can only process and release refunds within the funding limits approved by the Ministry.

Conditions for Refund Release: Refunds are released subject to three key conditions:

1. **Funding Allocations:** Daily allocations from the Ministry of Finance determine the pace of refund disbursements.
2. **Taxpayer Requests:** For income tax refunds, payments are processed only when taxpayers formally request them. Many taxpayers choose to retain credits for offsetting future liabilities.
3. **Taxpayer Compliance:** Refunds are released only if the taxpayer is fully compliant with filing and payment obligations.

Accountability Mechanisms for Taxpayers

- Taxpayers waiting for refunds are protected by **statutory provisions under the VAT Act and Income Tax Act**, which establish their entitlement to refunds once compliance is verified.
- **FRCS maintains a transparent refund process**, with taxpayers able to track their refund status through the Taxpayer Online Service (TPOS).
- **Governance oversight** is provided by both FRCS and the Ministry of Finance to ensure that refund obligations are honoured in line with fiscal capacity.
- In cases of delay, taxpayers retain the right to lodge complaints or queries through FRCS's Service Desk and escalation channels, ensuring accountability and responsiveness.

While refund liabilities are significant, they reflect both the scale of taxpayer entitlements and the government's commitment to honouring them. FRCS continues to balance fiscal sustainability with fairness, ensuring that compliant taxpayers receive their refunds while maintaining transparency and accountability in the process.

15. FRCS's contingent liabilities — legal claims against the organisation — stand at $2.9 million, down from $4.5 million. Can FRCS describe the nature of these claims, how many relate to employment disputes versus tax disputes, and what systemic issues are generating this litigation?

    FRCS's contingent liabilities relating to legal claims have decreased from $4.5 million to $2.9 million. This reduction is mainly due to the removal of an employment related cased, which was settled out of court in 2024. The nature of all these claims is employment-related disputes against FRCS by former employees. Most litigation arises from employment relations issues, particularly around termination processes and procedural compliance

    Tax-related disputes are included in Government Contingent Liability under note 27 (d).

16. Fiji joined the Global Forum on Transparency and Exchange of Information for Tax Purposes in November 2023 to help address EU blacklisting concerns. What specific changes to Fiji's tax laws and information-sharing frameworks are required, and what has been achieved so far and what is pending.

    Fiji joined the Global Forum on Transparency and Exchange of Information for Tax Purposes in November 2023 as its 169th member, addressing EU blacklisting concerns. Since then, Fiji has signed the Convention on Mutual Administrative Assistance in Tax Matters (MAAC) in January 2026 and amended the Income Tax Act, Tax Administration Act, and FRCS Act to strengthen confidentiality requirements in protecting the information sourced from foreign jurisdictions, availability, and timely exchange of taxpayer information.

    As a member of the Global Forum, Fiji is required to successfully implement the Exchange of Information on Request (EOIR) and Automatic Exchange of Information (AEOI). For EOIR, Fiji has implemented institutional reforms and has a legal framework for EOIR. We are closely working with the Global Forum to implement the Beneficial Ownership (BO) legal framework.

With assistance from the Global Forum, Fiji has undertaken preliminary maturity assessment and detailed maturity assessments, one of the prerequisites for the implementation of the AEOI. Fiji is currently working to implement the legal framework for AEOI.

17. The Compliance Improvement Strategy (CIS) 2023-2025 is cited frequently in the annual report but no quantitative targets or progress metrics are published. Can FRCS provide the specific measurable targets within the CIS — for example, target compliance rates by segment, target audit numbers, and target revenue recovered through compliance activities — against which public accountability can be assessed?

FRCS Compliance Improvement Strategy (CIS) 2023–2025

The Compliance Improvement Strategy (CIS) 2023–2025 adopts a risk-based and data-driven approach rather than fixed public targets by segment. Instead, performance is measured through outcomes and risk mitigation.

To date, the CIS has delivered measurable results:

- **72% of identified compliance risks addressed**, with the remainder either in progress or carried forward
- **$116 million in compliance assessments raised** by the Compliance Division
- Significant activity in targeted areas, including **VAT compliance campaigns generating over $40 million**
- **294 high-risk cases profiled**, with over **70% progressing to audit**

The strategy focuses on improving compliance across four key areas—registration, filing, reporting, and payment—particularly in high-risk sectors such as SMEs, agriculture, and VAT-intensive industries.

Rather than relying solely on audit volume or numeric targets, the CIS prioritises:

- Increased voluntary compliance through education and digital services
- Targeted enforcement using analytics and risk profiling
- Expansion of the tax base and improved taxpayer engagement

These outcomes demonstrate tangible progress and provide a practical basis for assessing compliance performance and public accountability.

ANNEX 2

RESEARCH BRIEF

Information Brief – for Standing Committee

For Standing Committee on Economic Affairs

Annual Report Brief

Fiji Revenue and Custom Services Annual Report 2023-2024

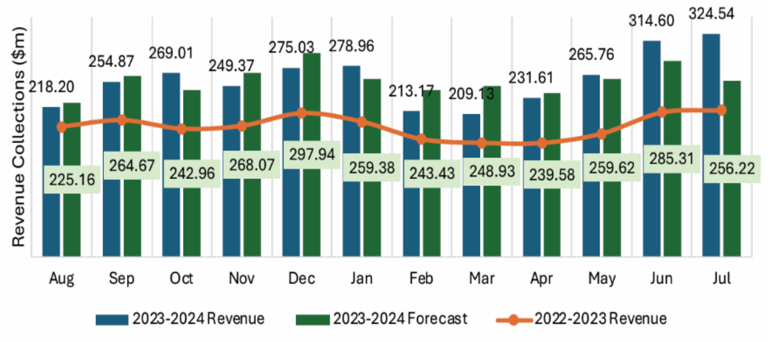
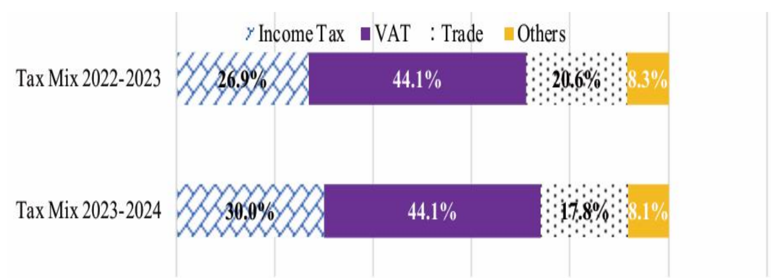
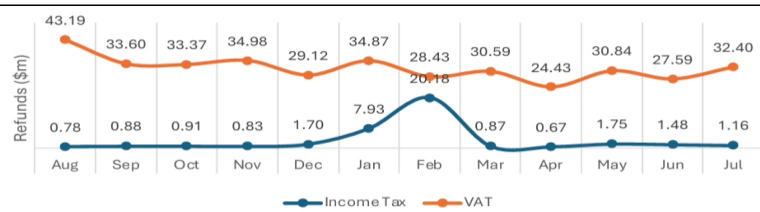
1.0. Introduction

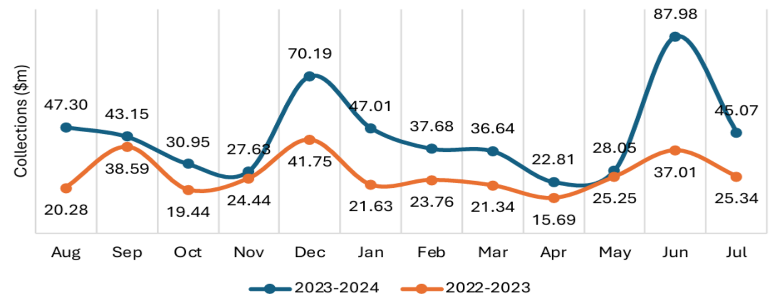
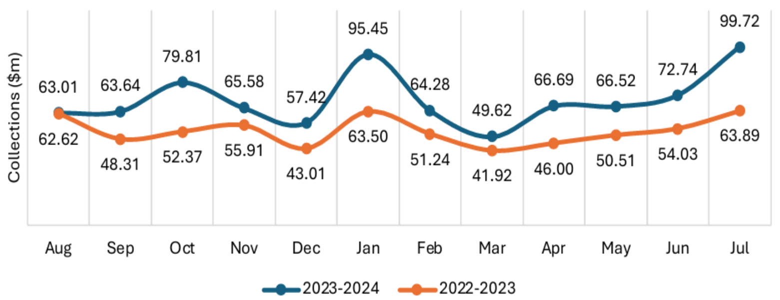
This Annual Report brief is provided to the Standing Committee on Economic Affairs ("SC-EA" or "Committee") as requested through its secretariat. The brief material is the analysed summary of the Fiji Revenue and Custom Services ("FRCS") Annual Report 2023-2024 ("AR")[1]. This brief provides an overview analysis of some key trends, performance and overall direction as documented in these annual reports. This brief is intended to supplement other resources available to the Committee.

2.0. Overview of FRCS	
2.1. About	The Fiji Revenue and Customs Service (FRCS) is the main funder of the National Budget and collaborates on government initiatives. It aligns its Strategic Plan with the National Development Plan for effective performance. Established under the **FRCS Act 1998**, it is governed by a Board and managed by a Chief Executive Officer.
2.2. Key Functions	• Administering and enforcing laws as an agent of the State. • Performing duties of the former Inland Revenue Department and Fiji Islands Customs Service. • Advising the State on taxation and customs matters and coordinating with relevant Ministries. • Representing the State internationally on taxation and customs issues. • Carrying out additional functions assigned by the Minister.
2.3. Services Locations	FRCS services are available from ten locations throughout ***Fiji: Ba, Labasa, Lautoka, Levuka, Nadi, Rakiraki, Nausori, Savusavu, Sigatoka and Suva.*** Services to the outer islands are carried out in partnership with Government and Non-Government Organisations.
2.4. Operating Divisions	• Corporate Services • Taxation • Compliance • Technology • Finance and Properties • Governance and Risk • Customs • People, Capability and Culture
2.5. Purpose	Helping Fiji grow
2.6. Strategic Ambition	Be a trusted, efficient, service-driven tax administration that minimises the tax gap and maintains the protection of Fiji's borders for the prosperity of the people of Fiji
2.7. Strategic Objectives	• **Revenue Collection:** Improving revenue collection gaps by simplifying the tax and customs systems and making compliance easy. • **Client Service Excellence and Stakeholder Collaboration:** Providing excellent service to clients and leveraging partnerships to enhance

[1] *Fiji Revenue and Custom Services Annual Report 2023-2024, (Access on 13/05/2026).* 10Fiji-Revenue-and-Customs-Service-Annual-Report-2023-2024-.pdf

	operations. • **Trade Facilitation and Border Security:** Promoting a seamless trade facilitation process while maintaining the security of Fiji's borders. • **Engaged People:** Creating a high-performance culture as an employer of choice, where people are engaged and equipped to serve.
2.8. Strategic Enablers	• **Technology:** Digitally transform FRCS organisation to be future-focused and data driven • **Process:** Strengthen FRCS processes to support a culture of efficiency and compliance
2.9. Values	• **Integrity** - We act with honesty and uphold the principles expected of us. • **Respect** - We accept individuals for who they are. • **Empathy** - We seek to understand an individual's perspective. • **Collaboration** - We work with each other to achieve common goals. • **Excellence** - We always strive to do better.

3.0. Performance		
3.1. Revenue Performance	• FRCS collected **$3,104.2m** in **2023-2024**, exceeding the forecast by **$68.3m (2.3%)** and prior year by **$818.7m (35.8%)** • This was the **first time** FRCS collections **surpassed $3 billion**, the **previous high** was **$2.83 billion** in 2017-2018	
3.2. Monthly Revenue Performance		Source: FRCS AR 23/24, p10
3.3. Tax Mix Composition		Source: FRCS AR 23/24, p10
3.4. Monthly Refunds		Source: FRCS AR 23/24, p11
3.5. Income Taxes	The cumulative net income tax collection stood at **$931.6m**, which was **above the forecast** by **$29.7m** or **3.3%.** Compared to the 2022-2023	

	cumulative collections, it was **higher by $315.8m or 51.3%.**
3.6. Corporate Income Tax (CIT)	Cumulative to July, a total of **$524.5m** was recorded for Corporate tax, it was **above the forecast by $6.6m or 3.4%.** Compared to the cumulative 2022-2023 collections, Corporate income tax collections were **higher by $38.1m or 23.2%.** CIT collections performed quite well, being one of the key tax types that significantly contributed to meeting the overall revenue target. This strong performance can be attributed to an optimistic business environment and high turnover reported by companies. Additionally, the 5% increase in CIT rates has also supported the overall collection.
3.7. Monthly Corporate Tax Collection	 Source: FRCS AR 23/24, p12
3.8. Pay As You Earn (PAYE)	• PAYE collections were **$202.4m**, **exceeding forecasts by $6.6m (3.4%)** and up **23.2% from FY 2022–23**. • The growth was driven by higher income levels and salary increases across civil service, private sector, and statutory bodies sectors. • Filling of vacant positions and improved remuneration packages also contributed to higher collections.
3.9. Withholding Taxes	• Withholding tax collections reached **$155.3m**, **exceeding forecasts by $0.9m (0.6%)** and **increasing 32.3% from FY 2022–23**. • The growth occurred despite no changes in withholding tax rates. • Increase was driven by higher demand for professional services linked to ongoing capital projects and rising service costs.
3.10. Value Added Tax (VAT)	• Net VAT collections reached **$1,369.4m**, **exceeding forecasts by $35.2m (2.6%)** and **rising 35.8% from FY 2022–23**. • The growth was driven by increased VAT rates and higher consumption across all sectors.
3.11. Domestic VAT Collection	 Source: FRCS AR 23/24, p13
3.12. Fiscal Duty	• Fiscal Duty collections totaled **$368.3m**, **falling short of forecasts by $6.4m (1.7%)** but **increasing 13.0% from FY 2022–23.** • The growth was supported by high import costs, particularly for machinery, mineral fuels, motor vehicles, and electrical equipment.
3.13. Domestic Excise Duty &	Domestic excise collections reached $148.9m, exceeding forecasts by 2.1% and rising 13.5% from FY 2022–23, driven by a rate increase, higher

Collection	tobacco and alcohol production, and the introduction of a new sugar tax in January 2024.
3.14. Water Resource Tax	• Water Resource Tax collections totaled **$71.9m**, **slightly above forecasts, but declined 3.7% from FY 2022–23** due to reduced extraction caused by plant shutdowns, a worker strike, and product recalls.
3.15. Departure Tax	• Departure Tax collections reached **$89.2m**, **exceeding forecasts by 0.9% and rising 44.5% from FY 2022–23**, driven by higher tax rates and increased tourist arrivals.
3.16. Revenue Collection Summary	• Simplified tax system by reducing VAT rates from three to two **(15% and 0%).** • Price monitoring taskforce (FRCS & FCCC) ensured correct pricing after **VAT** and duty changes. • Expanded zero-rated VAT items to include prescription medicines. • Reduced import duties on selected food items to lower costs. • Conducted stakeholder engagement sessions to explain budget changes and policies. • Reviewed and updated laws to align with budget changes. • Developed clear tax guidelines (SIGs) to help taxpayers understand and comply easily.
3.17. Making Compliance Easy	• Promoted voluntary compliance by providing timely and accurate tax and customs information. • Established an education team to strengthen taxpayer awareness and compliance. • Collaborated with universities to integrate tax and customs education into programs. • Focused on educating students early about tax responsibilities and good citizenship. • Enhanced public understanding through awareness, education, and support under the self-assessment system.

4.0. Training and Guidance	
4.1. Awareness and Tools	• Conducted virtual forums with tax agents on TPOS, tax agent requirements, and budget policies to strengthen collaboration and compliance. • Launched a VAT Guide to simplify understanding of VAT laws and support voluntary compliance. • Provided practical guidance and examples for businesses, MSMEs, and new taxpayers. • Strengthened compliance culture through education, awareness, and

<table>
<tr><td></td><td>partnerships.
Enhanced VAT system efficiency, supporting a key revenue source (40–45% of government revenue).</td></tr>
<tr><td>4.2. Education Team Stakeholder Sessions</td><td>
<table>
<tr><th>Activity</th><th>Total</th></tr>
<tr><td>External Awareness</td><td>81</td></tr>
<tr><td>Internal Awareness</td><td>22</td></tr>
<tr><td>Forums</td><td>7</td></tr>
<tr><td>Engagement Meetings</td><td>43</td></tr>
<tr><td>Meetings</td><td>37</td></tr>
<tr><td>Total</td><td>190</td></tr>
</table>
Source: FRCS AR 23/24, p18</td></tr>
<tr><td>4.3. Embed an intelligent monitoring system</td><td>
Strengthened monitoring through improved team capacity and leadership.
Launched Compliance Improvement Strategy (2023–2025) to promote voluntary tax compliance.
Focused on high-risk segments, including SMEs, VAT taxpayers, and customs/border sectors.
Enhanced risk profiling and audits using data and the new tax information system.
Aimed to increase revenue, reduce compliance costs, and build trust in the tax system.
</td></tr>
<tr><td>4.4. Training</td><td>
<table>
<tr><th>Total MSME Trainings</th><th>Total Internal Trainings</th><th>Total External Trainings</th></tr>
<tr><td>147</td><td>123</td><td>24</td></tr>
</table>
Source: FRCS AR 23/24, p21

MSMEs play a key role in Fiji's economy, with over 116,800 registered and contributing $59m annually.
Challenges include low awareness of tax processes, difficulty understanding laws, and accessing incentives.
FRCS provides training, financial literacy programs, and online tools to improve compliance.
Around 3,000 MSMEs trained, with 75% successfully filing tax returns.
Ongoing support includes tailored training, community outreach, and assistance with tax services.
Goal is to increase MSME compliance, boost revenue, and support economic growth.
</td></tr>
<tr><td>4.5. International Development Programs</td><td>
FRCS officers participated in a cryptocurrency investigation seminar led by the US Secret Service to strengthen knowledge on digital assets and related crimes.
Training highlighted rising crypto-related scams and methods used by criminals.
Participants gained practical investigation skills and insights into current trends.
The seminar fostered collaboration and partnerships between law enforcement agencies and private entities.
HSI conducted training for FRCS on social media, dark web, and data analysis to identify cyber threats.
Highlighted risks of cybercrime, including misuse of personal data and illicit online activities.
Provided hands-on training using real-world scenarios for analyzing phone, bank, and location data.
Enhanced understanding of dark web and cryptocurrency in detecting
</td></tr>
</table>

and investigating illegal activities.

5.0. Trade Facilitation and Border Security

5.1. Trade Facilitation partnerships

- Over 80 officers were trained in vessel search operations, strengthening border security and trade facilitation.
- Training enhanced practical skills, including search techniques, risk detection, and safety standards.
- Improved collaboration and partnerships among key border agencies.
- Established standardized procedures through MOU and SOP for joint operations.
- Enabled better information sharing and coordinated responses to maritime security threats.

5.2. Border Management

- FRCS and ANZ Bank completed a data cleansing project on customs bond security and guarantee records.
- Updated outdated bond forms (in use since the 1960s) and removed unused records.
- Strengthened collaboration with ANZ to improve accuracy and efficiency in customs processes.
- Set the foundation for similar partnerships with other financial institutions.
- FRCS officers enhanced maritime coordination through IORIS training, improving real-time information sharing and joint operations.
- Strengthened partnerships with key agencies (Navy, Police, Immigration, Ports, Fisheries) to boost maritime security.
- Participated in regional security meetings (JHoPS) to improve collaboration, coordination, and response to security challenges.
- Received strategic trade and export control training to better detect and manage illicit and high-risk goods.
- Built capacity through partnerships with international agencies (ABF, UNODC) to combat illegal trade and strengthen border security.

5.3. Staffs Resource

Staff by Divisions

Row Labels	Count of Division Description
Customs	237
Corporate Services	57
Executive Office	4
Finance	26
People, Capability & Culture	16
Taxation	174
Technology	40
Compliance	94
Grand Total	**648**

Row Labels	Gender
Female	332
Male	316
Grand Total	**648**

Staff by office location

Row Labels	Count of Location Description
Ba	5
Labasa	17
Lautoka	67
Levuka	2
Nadi	168
Nausori	4
Rakiraki	3
Savusavu	8
Sigatoka	3
Suva	371
Grand Total	**648**

Source: FRCS AR 23/24, p31

Staff received ongoing training and professional development both locally and internationally, based on their areas of expertise.

5.4. Staff Skill Enhancement Trainings

- Launched World Customs Organization (WCO) Virtual Reality Training system to enhance customs training capabilities.
- Developed accredited in-house expert trainers through the WCO Master Trainers Programme.
- Strengthened trade security and facilitation through the AEO Programme review.
- Hosted Anti Money Laundering (AML)/ Counter Terrorism Financing (CTF) workshop to build capacity in combating money laundering and terrorism financing.
- Conducted in-house HS classification training to improve trade accuracy and revenue collection.

	• Generated revenue from training facility hire, with continued demand due to quality services.

6.0. Financials

6.1. Revenue and Expense

Fiji Revenue and Customs Service
STATEMENT OF FINANCIAL PERFORMANCE for the Year Ended 31 July 2024

	Notes	31 July 2024 $	31 July 2023 $
REVENUE			
Grants from Government	15(a)	44,011,609	38,774,190
Fees and Charges	16	10,481,354	9,256,781
Recoupment of Depreciation through grants	13	4,570,746	5,537,438
Sundry Income	17	1,662,079	1,161,518
Interest Income		347,344	320,598
Rent Concession		2,928	4,254
Gain on Disposal of Asset		79,827	36,819
TOTAL REVENUE		61,155,887	55,091,598
EXPENSES			
Employee Costs	18	33,697,210	25,203,590
Administrative Expenses	19	2,216,448	2,061,578
Other Operating Expenses	20	11,994,877	6,729,674
Property Expenses	21	1,533,879	1,549,076
Depreciation - PPE	8(a) and 10	5,464,935	6,078,824
Depreciation - Right-of-use Assets	14(a)	3,452,206	3,431,853
Amortisation of Intangible Asset	9	1,844,030	1,598,646
Finance Cost	14(b)	1,550,341	1,734,787
TOTAL EXPENSES		**61,753,926**	**48,388,028**
NET SURPLUS/(DEFICIT) FOR THE PERIOD		**(598,039)**	**6,703,570**

The above Statement of Financial Performance has been prepared in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the accompanying notes.

Source: FRCS AR 23/24, p50

Some Questions for the Committee's Consideration

- Given the increased participation in international training and collaboration initiatives, how effectively is FRCS integrating and embedding Sustainable Development Goals (SDGs) within its operations and strategic framework?
- What are the percentage of compliant versus non-compliant registered entities with FRCS?
- What is FRCS's current approach to supporting businesses in rural areas in terms of awareness, advocacy, and training initiatives?
- What is the frequency and trend of serious or transnational crimes detected by FRCS at international borders, Customs, and operational points?
- What were the attempted figures (percent) of illegal importation of goods (legal or illegal) in Fiji detected by the Fiji Customs?
- What is the level of awareness among taxpayers and the public regarding whistleblowing mechanisms and reporting channels within FRCS?
- How does the FRCS implement and enforce the General Anti-Avoidance Rule (GAAR), Specific Anti-Avoidance Rules (SAAR), and Targeted Anti-Avoidance Rules (TAAR) to ensure fair taxation and prevent tax avoidance practices?

13 May 2026
