STANDING COMMITTEE ON ECONOMIC AFFAIRS

Review Report of the Fiji Revenue and Customs Service Annual Report 2023-2024

PARLIAMENT OF THE REPUBLIC OF FIJI
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Table of Acronyms

AML/CTF	Anti-Money Laundering / Counter Terrorism Financing
BEPS	Base Erosion and Profit Shifting
CEO	Chief Executive Officer
CIT	Corporate Income Tax
FRCS	Fiji Revenue and Customs Service
IORIS	Integrated Offshore Risk Intelligence System
JHoPS	Joint Heads of Pacific Surveillance
MSME	Micro, Small and Medium Enterprises
PAYE	Pay As You Earn
SDG	Sustainable Development Goals
TELPP	Tax and Economic Law Project Pacific
TPOS	Taxpayer Online Services Portal
VAT	Value Added Tax
WCO	World Customs Organisation

Chairperson's Foreword

On behalf of the Standing Committee on Economic Affairs, I am pleased to present the committee report on the review of the Annual Report of the Fiji Revenue and Customs Service (FRCS) for the financial year 2023–2024.

The 2023–2024 financial year was a period of significant achievement, institutional change, and unresolved structural challenges for FRCS. The organisation surpassed the $3 billion revenue mark for the first time in its history, a milestone that deserves recognition. However, this report makes clear that headline revenue achievement cannot substitute for the deeper institutional accountability that Parliament and the people of Fiji expect.

The Committee's review identified several areas requiring urgent attention: an eightfold increase in income tax refund backlogs; an 80% non-compliance rate among registered Micro, Small and Medium Enterprises (MSMEs); a growing government arrears position approaching $1 billion; and an operational deficit driven by expenditure growth that outpaced revenue growth. They are indicators of systemic pressures that, if left unaddressed, will limit FRCS's capacity to sustain its revenue performance in future years.

The Committee is encouraged by FRCS's investment in digital transformation, taxpayer education, and border security, particularly the completion of the Taxpayer Online Services Portal (TPOS) system after seven years of development and the significant drug interceptions recorded during the year. These achievements reflect institutional resilience and staff commitment that the committee acknowledges. Over the years, FRCS has undergone a significant transformation in its approach to customer service, shifting from a largely authoritative role to a more service-oriented and customer-focused organisation.

The eight recommendations in this report aim to assist FRCS in strengthening long-term institutional performance and improving compliance alongside its revenue achievements. The Committee also extends its appreciation to the FRCS Chief Executive Officer (CEO) and staff for their cooperation and openness during the review process.

I also acknowledge the valuable contributions of my fellow Committee Members - Hon. Premila Kumar, Hon. Semi Koroilavesau, Hon. Alipate Tuicolo, Hon. Kalaveti Ravu, Hon. Jese Saukuru and the secretariat for their support in producing this report.

On behalf of the Standing Committee on Economic Affairs, I present this Review Report to Parliament and request all members of this august House to take note of its findings in the report.

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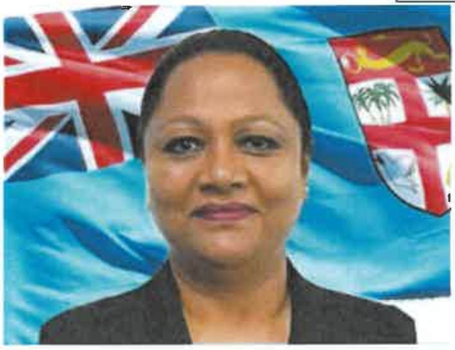
Hon. Sakiusa Tubuna
Chairperson

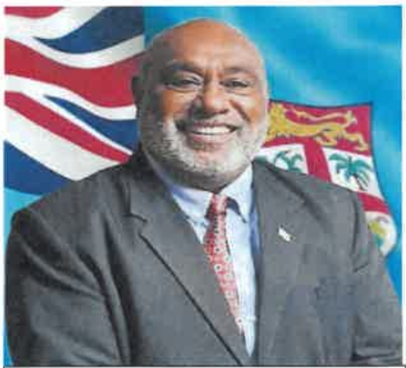
1.0 Committee Membership

Pursuant to Standing Order 109(2)(a) the Standing Committee on Economic Affairs is mandated to look into matters related to economic development, finance, banking and taxation. The members of the Standing Committee on Economic Affairs and are as follows:

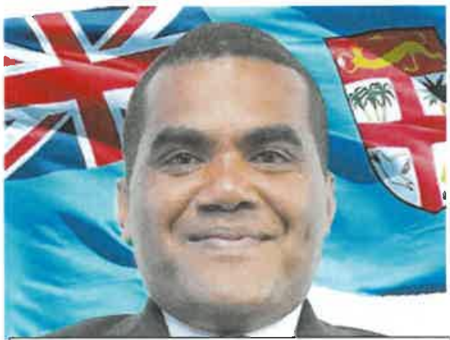
Hon. Sakiusa Tubuna
Chairperson



Hon. Premila Kumar
Deputy Chairperson



Hon. Semi Koroilavesau
Member



Hon. Alipate Tuicolo
Member

Hon. Kalaveti Ravu
Member

Hon. Jese Saukuru
Member

1.1 Committee Secretariat

The Committee is supported by a team of Parliament Officers serving as the Committee Secretariat. These officers are appointed and delegated by the Secretary-General to Parliament under Standing Order 15(3)(i). The Secretariat team consists of the following Parliament officers:

- Ms. Marica Tuisoso – Senior Committee Clerk
- Ms. Awantika Raj – Deputy Committee Clerk

Committee contact details.

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2.0 Introduction

The Standing Committee on Economic Affairs ('the Committee'), was referred the Fiji Revenue and Customs Service Annual Reports 2018-2023 on 13th March 2026, pursuant to Standing Order 38(2) of the Standing Orders of the Parliament of Fiji. The Committee was mandated to review these Annual Reports and table its findings to Parliament.

In line with its mandate, the Committee undertook a detailed examination of the report and now presents its findings and observations to Parliament.

2.1 Procedure and Programme

2.1.1 The Committee began its review of the Annual Report in May 2026. The review process was agreed upon by consensus among the Committee Members and involved a comprehensive and systematic examination of the reports.

2.1.2 Before the formal meetings, the Members of the Committee read and reviewed the 2023-2024 Annual Report. During the Committee deliberations, Members analysed the content of the reports, identified key issues, and engaged in in-depth discussions to evaluate the findings. These discussions led to the formulation of the key questions and identification of issues requiring further clarification.

2.2 Oral Evidence Received

2.2.1 The Committee received a briefing and public submissions from the Fiji Revenue and Customs Service on 20 May 2026.

2.3 Written Evidence Received

2.3.1 The Committee received written submission from FRCS to the questions that was sent to them for their response.

3.0 Committee Deliberations and Analysis

3.1 Background

FRCS was established as a statutory organisation under the FRCS Act 1998. It operates under the governance of a Board of Directors and is administered by a Chief Executive Officer, providing a structure that combines public accountability with institutional independence.

FRCS is responsible for collecting taxes and duties, advising on tax and customs matters, facilitating trade and travel, and protecting Fiji's borders. It plays a key role in supporting government revenue and national development objectives.

Fiji's geographic position as a major travel and transhipment hub for the Pacific makes FRCS not only a revenue body but a critical pillar in the national response to transnational crime, including drug trafficking, money laundering, and cyber fraud.

Key policy and tax changes during the reporting period included the simplification of the VAT system in August 2023 from three rates (0%, 9%, and 15%) to two rates (0% and 15%). Prescription medicines and drugs were also added to the list of zero-rated items, increasing the total to 22 categories.

The Corporate Tax rate was increased from 20% to 25%.

In June 2024, Fiji joined the BEPS Inclusive Framework as its 147th member, strengthening the country's commitment to international tax cooperation and compliance standards.

3.2 Summary of the 2023- 2024 Performance and Achievements

3.2.1 **Record Revenue Achievement:** FRCS surpassed the $3 billion revenue mark for the first time, collecting **$3,104.2 million** in 2023–2024, exceeding the FRCS annual forecast by $68.3 million and representing an increase of $818.7 million (35.8%) over the previous year. This achievement came amid a leadership change, demonstrating strong institutional resilience and staff commitment.

3.2.2 **Revenue composition:** VAT dominates the revenue mix at 44.1%, followed by income taxes at 30.0% and trade taxes at 17.8%. This concentration in indirect taxation reflects the structure of Fiji's consumption-driven economy.

3.2.3 **VAT collections:** Net VAT collections reached $1.369 billion, driven by the policy change. Domestic VAT contributed $844.5 million, and Import VAT $894.3 million.

3.2.4 **Income tax collections:** Income Tax collections totalled $931.6 million, exceeding the FRCS forecast and growing strongly from the prior year, supported by higher corporate taxes, salary increases, and growth in professional services. PAYE grew 23.2% to $202.4 million.

3.2.5 **Customs revenue:** Customs revenue totalled $551.6 million, supported by increased imports of fuel, vehicles, machinery, and hospitality-related goods.

3.2.6 **Departure Tax:** Departure Tax collections increased significantly from $61.7 million to $89.1 million, reflecting both the higher tax rate and rising tourist arrivals.

3.2.7 **Water Resource Tax:** Water Resource Tax was the only revenue stream to record a decline, falling 3.7% due to reduced production, industrial disruptions, and the Fiji Water product recall, notwithstanding a seven-year tax-free holiday in effect.

3.2.8 **MSME taxpayer engagement:** Of 116,800 MSMEs registered with FRCS, only approximately 20% are currently active taxpayers. FRCS trained approximately 3,000 MSME representatives during the year, with 75% of those trained subsequently lodging their tax returns, a positive indicator of programme effectiveness. A bookkeeping guide for MSMEs was also developed.

3.2.9 **Community outreach:** FRCS conducted targeted outreach to remote communities, including Nataleira village in Dawasamu, Tailevu, where officers assisted senior citizens with Joint ID Card renewals and registered 77 new taxpayers.

3.2.10 **Digital transformation:** The Taxpayer Online Services (TPOS) system was completed following a seven-year implementation period, representing an intangible asset of $34.8 million on the FRCS balance sheet. Approximately 226,000 taxpayers have registered on the portal, and 93 processes are now available digitally, with 80% of active taxpayers using TPOS monthly.

3.2.11 **Financial position:** FRCS recorded an operating deficit of $598,000 in 2023–2024, compared to a surplus of $6.7 million in the prior year. Total expenses increased from $48.4 million to $61.8 million (27.6%), driven by higher employee costs ($8.5 million increase) and software maintenance, while total revenue grew at a slower rate of 11.1%.

3.2.12 **Border security and drug interceptions:** FRCS recorded 18 illicit drug interception cases during the reporting period. These included 3 cases involving 0.5388 kg of cannabis and 12 cases involving 19.749 kg of methamphetamine seized locally, with a further 3 offshore interceptions in New Zealand and the United States. In total, approximately 114 kg of illicit drugs were intercepted locally and offshore, highlighting both the growing threat of transnational drug trafficking and improved border detection capabilities.

3.2.13 **International cooperation:** Fiji joined the BEPS Inclusive Framework in June 2024 as its 147th member. FRCS hosted the WCO TENTACLE workshop with 74 delegates from 10 customs administrations, establishing Fiji as a regional hub for financial crime capacity building. FRCS officers received specialised training in cryptocurrency and digital fraud investigations.

3.2.14 **Penalty waivers:** During the year, $109.5 million in penalties was waived or written off. Outstanding government refund liabilities totalled $594.8 million.

3.2.15 **Taxpayer education:** The Education Team delivered 190 stakeholder engagement activities during the year, including 81 external awareness sessions, 43 engagement meetings, 7 forums, 22 internal awareness sessions, and 37 other meetings, consistent with FRCS's strategy that voluntary compliance cannot be achieved through enforcement alone.

3.2.16 **Modernisation milestones:** The publication of the VAT Guide, the first of its kind in the Pacific region, reflects leadership in taxpayer education. The updating of customs bond security forms dating from the 1960s, in partnership with ANZ Bank, demonstrates a commitment to modernising legacy administrative systems.

3.2.17 **Leadership transition:** The year saw the appointment of Mr Udit Singh as CEO in March 2024. FRCS demonstrated institutional resilience through this leadership change, sustaining its revenue performance throughout the transition.

3.2.18 **Gender balance:** FRCS made commendable progress towards gender balance across both leadership and operational levels during the reporting period.

3.3 Achievement and Performance Summary Table

Key Indicators	2022-2023 ($M)	Targets for 2023-2024 ($M) as per National Budget	FRCS Targets set for 2023-2024 ($M)	Actual Targets Achieved 2023-2024 ($M)	Assessment
Net Revenue	2,285.53	3,700,700	3,035.91	3,104.22	68.31
VAT Collections	1,008.07	1,533,074	1,334.28	1,369.40	35.12
Corporate Income Tax	314.52	120,000	501.19	524.46	23.27
PAYE	164.27	773,200	195.72	202.36	6.64
Withholding Tax	117.43	178,000	154.40	155.33	0.93
Domestic Vat	633.32	972,155	825.79	844.48	18.69
Custom Duties /Levies	471.93	555,993	553.37	551.67	-1.70
Import Vat	597.07	928,866	893.07	894.30	1.23
Fiscal Duty	325.89	385,266	374.80	368.34	-6.46
Domestic Excise Duty	131.20		145.74	148.85	3.11
Water Resource Tax	74.74	91,640	71.79	71.98	0.19
Departure Tax	61.72	99,809	88.44	89.19	0.75
Employee costs	25.20	n/a	36.70	33.70	

Software licence costs	4.83	n/a	5.97	10.17	
Penalties waived	$103.4 million	n/a		$109.5 million	
VAT Refunds Outstanding	127 million			168.4 million	
Income tax refund backlog	$50.5 million*	n/a	$39.9m	$426.3 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.*

4.0 Committee Findings

The Committee conducted a thorough review of the FRCS Annual Report and public submission from FRCS. The following findings are presented for the attention of Parliament:

4.1 **Revenue target transparency:** The Committee noted that in certain instances, the revenue targets reported by FRCS in its Annual Report did not align with the 2023–2024 Budget forecast figures presented to Parliament. Targets approved in the national budget are the primary accountability benchmark, and any revisions must be clearly explained and documented in Annual Reports.

4.2 **Nature of the revenue milestone:** While surpassing $3 billion in revenue collection is historically significant, the Committee finds that this achievement is policy-driven rather than compliance-driven. The increase in VAT rate from 9% to 15% and the increase in Corporate Tax rate from 20% to 25% are the primary structural drivers of revenue growth. The budget forecast of $3,700.7 million was not met, representing a shortfall of approximately $596.5 million against the national budget target.

4.3 **MSME non-compliance gap:** Of 116,800 MSMEs registered with FRCS, only approximately 22,800 are actively paying taxes, representing a compliance rate of below 20%. While the training of 3,000 representatives and a 75% lodgement rate among those trained are positive developments, these figures represent a small fraction of the MSME population. An 80% non-compliance rate among MSMEs is the single largest structural gap in Fiji's tax system and cannot be addressed through education programmes alone.

4.5 **Operating deficit and expenditure growth:** FRCS recorded a net deficit of $598,039, compared to a surplus of $6.7 million in the prior year. Total expenses increased from $48.4 million to $61.8 million (27.6%), while total revenue grew by only 11.1%. Expenditure growth was more than double the rate of revenue growth, which is not sustainable if maintained. The Committee was informed that the deficit was attributable to the job evaluation exercise and costs associated with meeting the requirements of the BEPS Framework. These are legitimate organisational investments; however, they must be planned and be within the budget allocation.

4.6 **Penalty waiver discipline:** The waiver of $109.5 million in penalties within a single financial year is significant. The Committee is concerned that a waiver practice of this scale, without publicly disclosed eligibility framework or reporting mechanism, may undermine compliance discipline and the deterrence function of the penalty regime. Taxpayers who comply voluntarily and meet deadlines are disadvantaged when large-scale waivers are granted without transparent criteria.

4.7 **Income tax refund backlog.:** Outstanding income tax refunds surged from $51.8 million to $426.3 million, an eightfold increase. While the reclassification of film rebates as government expenditure accounts for a portion of this increase, a substantial backlog persists. This represents a serious liability that directly affects business cash flow and erodes taxpayer confidence in the tax administration system. The Committee considers this an urgent matter to be addressed.

4.8 **VAT refund obligations and fiscal pressure:** VAT refund liabilities increased from $127 million to $168.4 million. FRCS paid an average of $35.2 million in refunds monthly, of which 92% were VAT-related. While timely VAT refunds are essential for business liquidity, the growing refund backlog, combined with the income tax refund liability, places considerable pressure on government cash flow and fiscal management. The total outstanding refund obligation of $594.8 million represents a structural fiscal liability requiring dedicated management attention.

4.9 **Total government arrears:** Total government tax arrears are approaching $1 billion. This growing arrears position represents uncollected revenue that has already been assessed and is legally due. The Committee considers the failure to reduce the arrears stock, despite record gross collections, a significant gap in FRCS's compliance and enforcement strategy.

4.10 **Donor dependency risk:** The Committee noted FRCS's strong international collaboration across border security, enforcement, and capacity development. However, the Committee is concerned that many important initiatives, including all 25 overseas training programmes, the Debt Management Strategy, TELPP, and the VAT Guide, remain heavily dependent on donor funding and external partners. There is no clear published strategy for developing self-funded institutional capacity, should external funding priorities change.

5.0 Committee Recommendations

The Committee makes the following recommendations to enhance FRCS's performance, transparency, and accountability to Parliament and to the people of Fiji:

5.1 **Performance Transparency:** Future FRCS Annual Reports must include the revenue targets as presented in the national budget. Any variance must be explained. Parliament must be able to assess performance against the targets it approved, not only the targets FRCS set for itself.

5.2 **Penalty Waiver Policy:** FRCS should publish a transparent, publicly accessible penalty waiver policy with clear eligibility criteria, an application process, and an annual report of total waivers granted by type of business category and value. The $109.5 million waived in a single year requires public accountability. Discretionary waiver practice without a published framework is inconsistent with the principles of tax equity.

5.3 **MSME Education Programme:** FRCS should scale its MSME education programme from 3,000 to a minimum of 15,000 participants annually by partnering with the Fiji Commerce and Employers Federation, the MSME Council, industry associations, and relevant ministries. Short video guides and TPOS tutorials should be developed in iTaukei and Hindi to reach non-registered businesses and rural communities.

5.4 **MSME Presumptive Tax Regime:** Working with the World Bank and relevant government agencies, FRCS should develop and propose a tiered presumptive tax regime for micro and informal enterprises based on turnover thresholds. A simplified flat-rate system would reduce compliance costs for the smallest businesses, bring more into the tax net, and address the 80% non-compliance rate that the current system has been unable to resolve through education-led approaches alone.

5.5 **Refund Processing Charter:** FRCS must develop and publish a publicly accessible refund processing charter specifying legally binding timeframes for VAT and income tax refunds. The $426.3 million income tax refund backlog should be treated as a fiscal emergency and addressed with a dedicated drawdown plan.

5.6 **Employee Cost Productivity Assessment:** Employee cost growth of 33.7% in a single financial year must be accompanied by a formal productivity assessment demonstrating that increases in staffing are producing corresponding improvements in compliance yields, audit efficiency, and service delivery quality. FRCS should report this assessment in its next Annual Report.

5.7 **CEO Succession Planning:** The Board of FRCS should establish a formal CEO succession plan and create a permanent Deputy CEO position to ensure continuity of institutional leadership and prevent disruption to operations during leadership transitions.

5.8 **Donor Dependency Five-Year Self-Funding Plan:** FRCS should develop a five-year plan to progressively self-fund the core capability areas currently sustained by donor grants, with explicit budget line items for each programme area. This plan should identify which donor-supported functions are critical, what the cost of self-funding would be, and the timeline for transition.

6.0 Sustainable Development Goals

The Committee notes that the Fiji Revenue and Customs Service (FRCS) has demonstrated its commitment to supporting national and global development priorities through alignment with the United Nations Sustainable Development Goals (SDGs).

In particular, FRCS's work during the financial year 2023–2024 contributes to the following key SDGs:

- **SDG 5 – Gender Equality:** The Committee commends FRCS's progress towards gender balance across leadership and operational levels during the reporting period and encourages continued commitment to this objective.

- **SDG 8 – Decent Work and Economic Growth:** Revenue mobilisation and MSME support programmes directly support economic growth, business formalisation, and job creation.

- **SDG 10 – Reduced Inequalities:** The MSME tax education programme, community outreach to remote areas, and zero-rating of prescription medicines reduce the tax burden on vulnerable populations and support economic inclusion.

- **SDG 16 – Peace, Justice and Strong Institutions:** FRCS's border security functions, anti-money laundering initiatives, drug interception operations, and participation in BEPS contribute to strong, accountable, and transparent institutions.

- **SDG 17 – Partnerships for the Goals:** FRCS's collaboration with WCO, the Global Forum on Transparency, BEPS Inclusive Framework, regional customs agencies, and development partners demonstrates meaningful commitment to international cooperation in support of sustainable development.

7.0 Conclusion

FRCS has delivered genuine progress in digital transformation, taxpayer education, international engagement, and border security during the 2023–2024 financial year. The completion of the TPOS system, the record $3.104 billion revenue collection, the 18 drug interceptions, and the establishment of Fiji as a regional hub for financial crime capacity building are achievements that reflect the dedication of FRCS staff and leadership.

However, the Committee finds that the headline revenue achievement is primarily policy-driven rather than compliance-driven. Several structural concerns require urgent parliamentary attention: an income tax refund backlog that increased eightfold to $426.3 million; an MSME non-compliance rate of 80%; total government arrears approaching $1 billion; an operating deficit driven by expenditure growth that was more than double the rate of revenue growth; and heavy dependence on donor support for core capability functions.

The Committee's eight recommendations are directed at these issues. The Committee calls on FRCS to report formally on progress against these recommendations in the next Annual Report cycle.

The Committee trusts that this report will assist FRCS in advancing towards that standard.

8.0 Committee Members' Signatures

……………………………………… Hon. Sakiusa Tubuna **Chairperson**	
……………………………… Hon. Premila Kumar **Deputy Chairperson**	……………………………… Hon. Semi Koroilavesau **Member**
……………………………… Hon. Alipate Tuicolo **Member**	……………………………… Hon. Kalaveti Ravu **Member**
……………………………… Hon. Jese Saukuru **Member**	

9.0 Annexure

Published evidence

Written evidence, transcripts and supporting documents can be viewed on the Parliament website at the following link:
https://www.parliament.gov.fj/committees/standing-committee-on-economic-affairs/