

“Setting the Record Straight”

Tourism’s contribution towards Tax
Revenue and Fiji’s Economy



Background



PRESS RELEASE

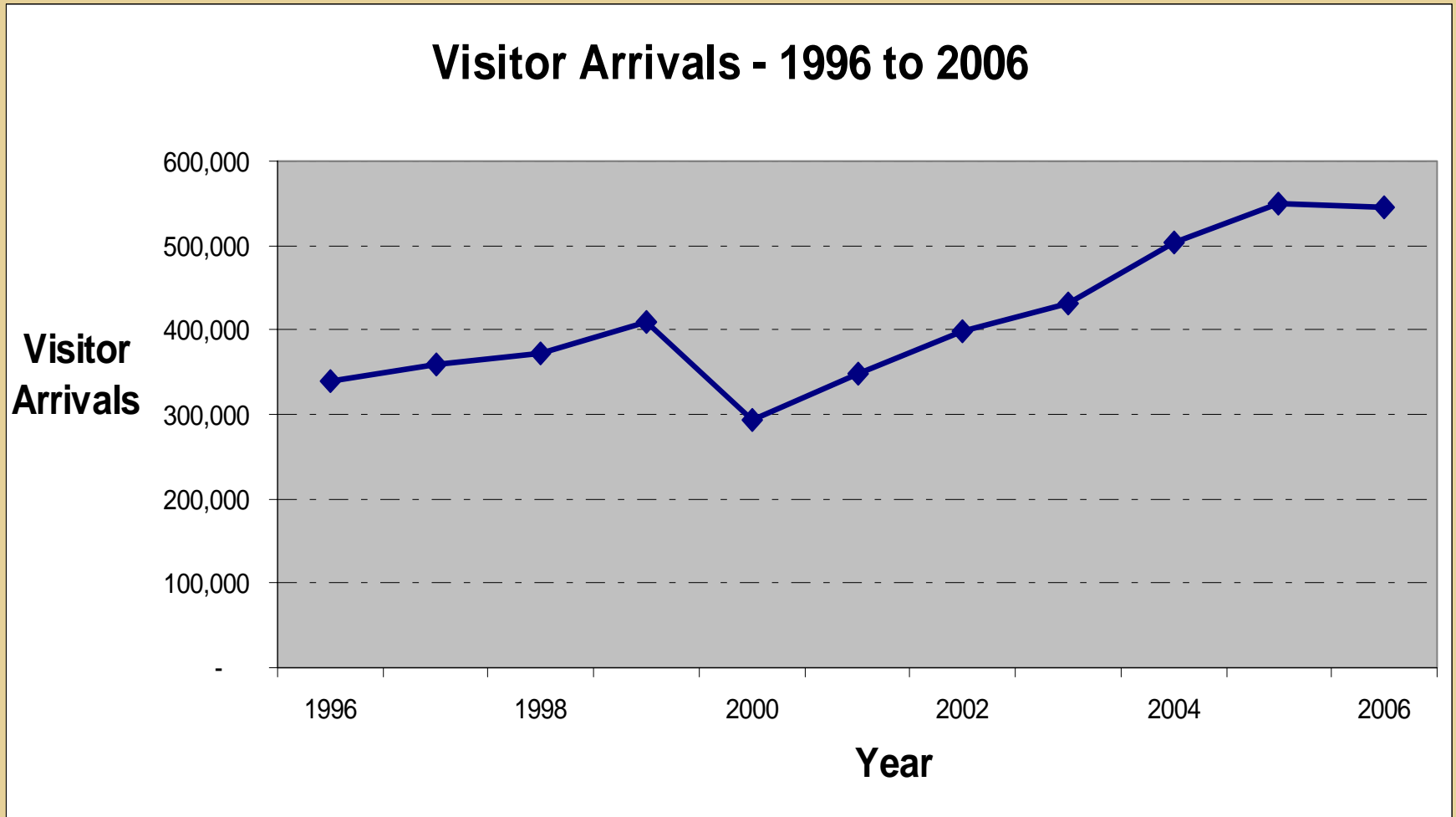
MOMI PROJECT AND REGARDING OTHER DEVELOPERS

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

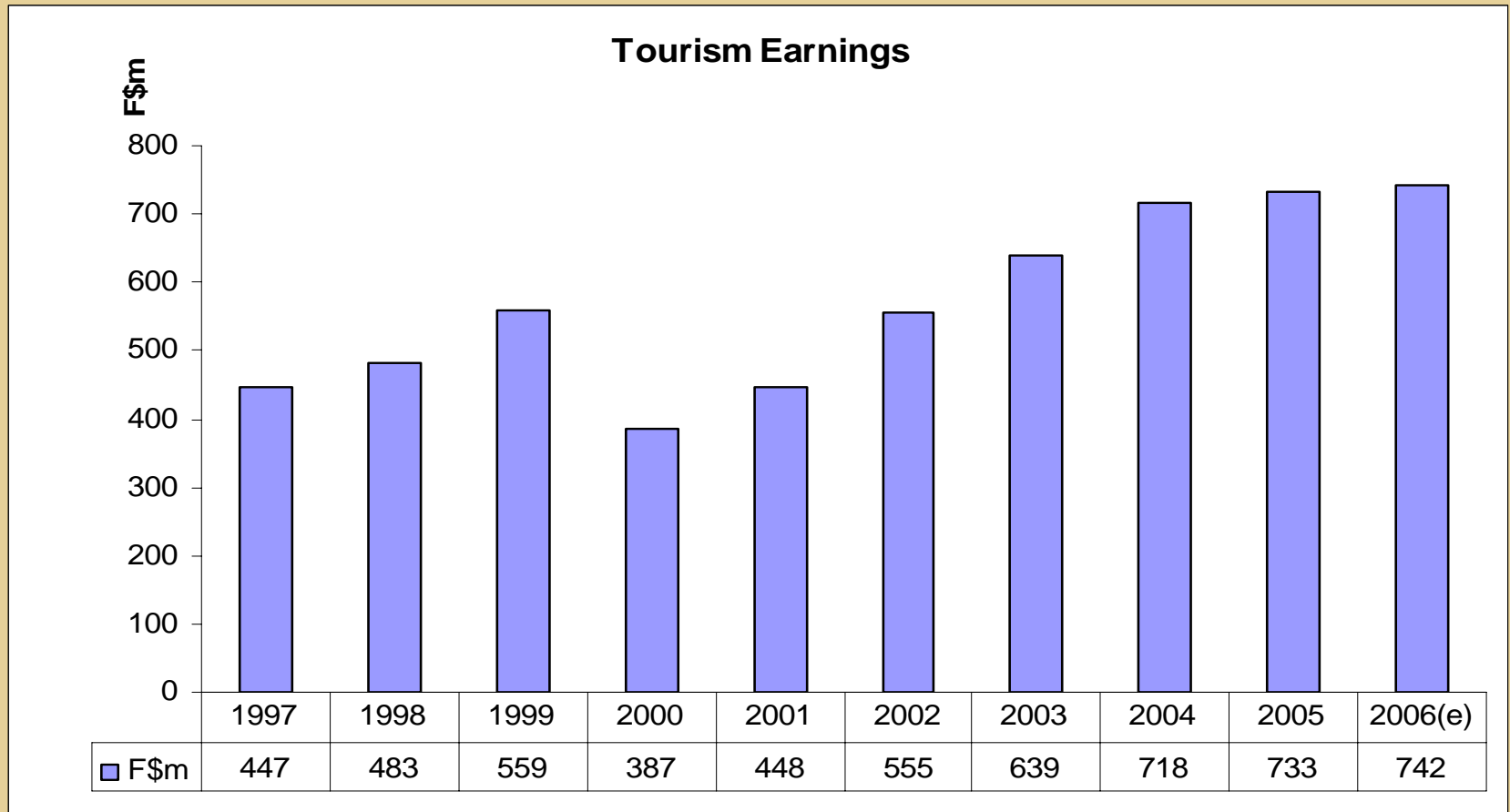
Tevita K. Banuve
CHIEF EXECUTIVE OFFICER
FIJI ISLANDS REVENUE AND CUSTOMS AUTHORITY

23rd April 2007

Visitor Arrivals

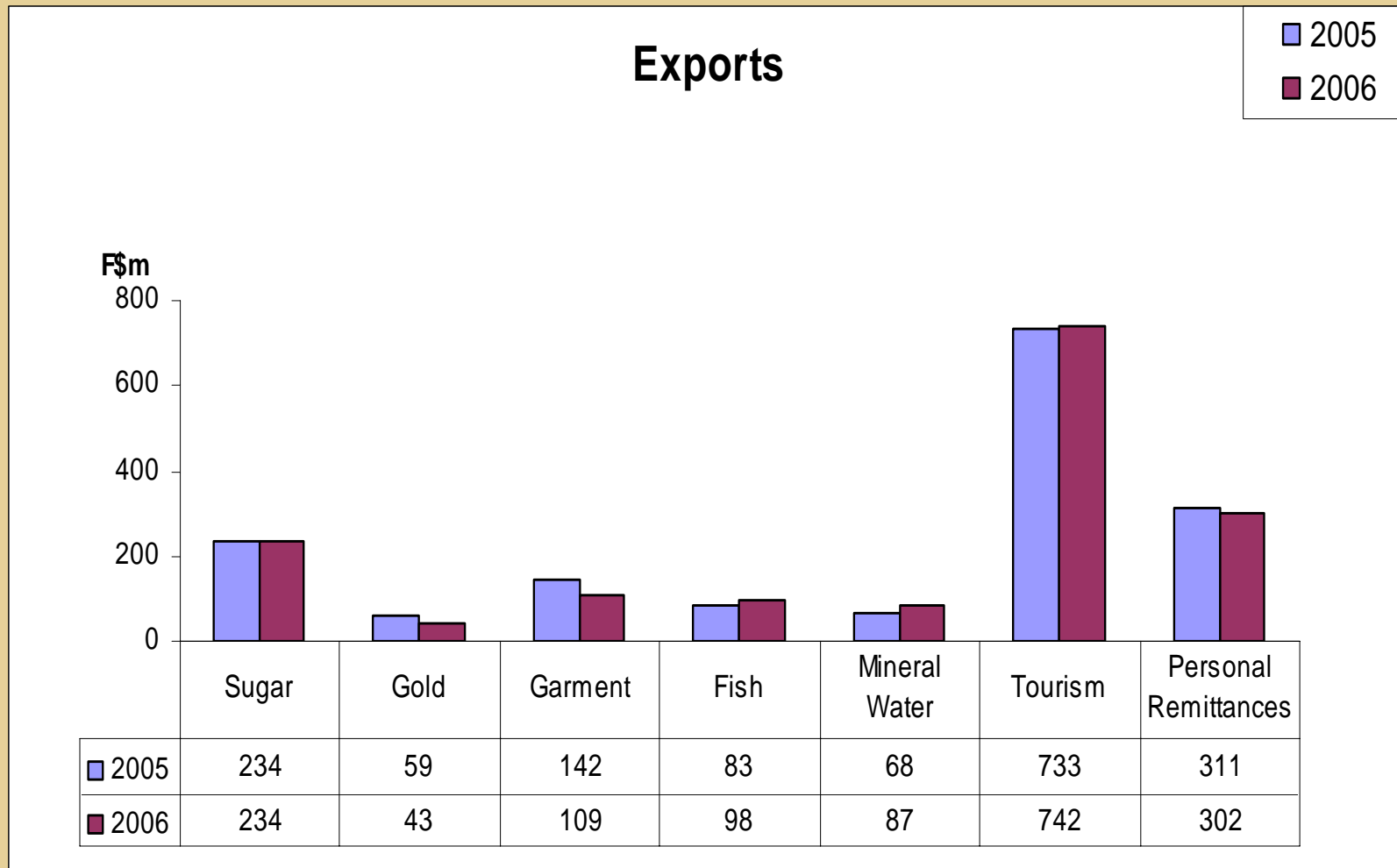


Gross Tourism Earnings – 1997 to 2006



Source: RBF Quarterly Review – Mar 07

Composition of Major Exports



Methodology

- Questionnaire sent to selected sample of 45 major hotels and resorts, tour operators and developers;
- Sample selection mainly as per FVB
- Information received collated and analysed
- Note: Survey did not include other direct beneficiaries such as duty free operators, rental car operators, local retailers, etc.

Survey Responses

	Hotels & Resorts	Other Operators	Properties under development	Total
Sample selected	29	10	6	45
No. responded	23	8	5	36
% response	79%	80%	83%	80%

Tax Contribution

- Corporate taxes - 31%
- VAT – 12.5%
- Hotel Turnover Tax – 3% effective 1 June 2006
- PAYE
- Customs and excise duties
- Departure tax
- Others - Stamp duty

Tourism Master Plan

Hotels Business (Corporate and PAYE)	Amount
Hotels Corporate Tax	\$8,653,000
Hotels PAYE Tax	\$6,186,000
Hotels Other Income Tax	\$9,555,000
Income Tax Refunds	-\$726,000
Hotel Turnover Tax	\$14,400,000
Other Tourism Cluster (Corporate and PAYE)	
Other Tourism Cluster Corporate Tax	\$6,000,000
International Tourism	\$10,000,000
Non-Hotel Tourism Cluster estimated PAYE tax Paid	\$8,200,000
VAT	
Estimated net VAT revenue to government from all tourism related activity	\$52,000,000
Additional Other Revenue and Non Hotel Tourism Cluster	
Departure Tax	\$22,000,000
Excise Fiscal duty on other Imports	\$2,000,000
Excise and Fiscal Duty on Alcohol	\$2,200,000
9 Total	\$140,468,000

Tax Contribution – Survey Results

Summary of Taxes	\$
VAT Paid	20,786,019
HTT - annualised	14,550,000
Customs and Excise Duties	8,452,474
PAYE	12,375,875
Provisional Tax	496,322
Withholding tax	4,699,467
Corporate Tax	6,483,447
Departure Tax	21,800,000
TOTAL TAX	89,643,604

Tax Contribution - Case of Fosters Group Pacific Limited

- 40% of Fosters turnover is from the Tourism industry and employees
- 25% decrease in volume since December 2006
- Plant shutdown commencing 14 May 2007 - breweries in Suva and Lautoka shutdown for one week and SPD closed for a month.
- Tourism industry's contribution on taxes paid by Fosters is approximately \$22m.

Tax Contribution - Case of Major Commercial Banks

- Fiji's three major Commercial Banks attribute around 15%-18% of their lending portfolio to the Tourism Industry.
- Estimate Corporate Tax attributable to Tourism is around \$6.2m in 2006.
- VAT paid - \$1.1m

Tax Contribution – Summary

	\$ (000)
Total Hotels & others (Extrapolated)	133,161
Sample of Banks	7,338
Fosters Group	22,000
TOTAL	162,499

Tax Contribution from other major players linked to the Tourism Industry

- Retail sales – alcohol, handicraft, clothing, jewellery, cosmetics, leather goods, etc
- Food & Beverage – restaurants and fruits, vegetables and seafood suppliers
- Transport – water & air
- Communication, Energy and Utilities
- Motor vehicle hire/ rental
- Sports, recreation and other activities – MICE and others
- Financial Institutions – banks, FOREX and insurance

Employment

- Total number of employees in the Tourism industry stood at 21,460 in 2005 The three largest classes were:
 - Hotels 11,440;
 - Restaurants and Cafes 1,728; and
 - Cultural and Recreational Activities at 1,659.

(Source: TDP 2007 - 2016)

- Survey results indicate FNPF contributions totalled \$11.9m in 2006

Building & Construction

- Building activity trend from 2004 to 2005:
 - value of Completion Certificates Issued increased from \$55m in 2004 to \$62m in 2005.
 - value of Work put in Place increased from \$160m in 2004 to \$271m in 2005.
- Major Tourism projects currently undertaken include Momi, Natadola, Laucala, Denarau (Raddison, Hilton, Sofitel etc), Likuliku and Amanuca.
- Impact on tax base and overall economy in terms of labour and materials used on these projects.
- About 5,600 people employed in formal construction sector

Marketing & Promotion

- Government contribution to FVB – \$12m
- Significant amount of marketing & promotions by individual stakeholders
- Results of survey - \$34.6m + cost of discounts on accommodation & air fares and other hosted promotional activities

Multiplier Effect of Tourism

According to the draft Tourism Development Plan 2007 – 2016 *“the multiplier impact on retained earnings within Fiji has been calculated by the Reserve Bank of Fiji at 1.75 (Type 1)..... This level of multiplier indicates that tourist spending will generate an additional \$0.75 for Fiji produced products and services for every \$1 spent by visitors to the country”*.

Impact on Lifestyle

Unpublished research on Impact of Tourism on village livelihoods by Milicent Kado

- Villages selected – Namatakula and Votualailai on the Coral Coast.
- Sample of household selected for research – 34% and 82% of the household in Namatakula and Votualailai respectively.
- Research looked at the income security status based on the poverty line per adult equivalent units (AEU – World Bank Formula) and compared with the actual household income with and without tourism income.

Impact on Lifestyle

Votualailai Village	With Tourism income	Without Tourism income
Income secure households	89%	32%
Income insecure households	11%	68%
Namatakula Village		
Income secure households	77%	13%
Income insecure households	23%	87%

Hotel Community Contributions

- Education
- Infrastructural development
- Investment – tourists as investors
- Sports
- Medical
- Development of Nadi > mainly due to Denarau > which is no doubt due to tourism in the region
- Tourists contributing to community projects

Acknowledgement

- Vinaka Vakalevu to all who have participated in some way or the other in this research process
- We also acknowledge valuable contributions from the following sources:
 - Fiji Visitors Bureau
 - FIHTA
 - Reserve Bank of Fiji
 - Commercial banks
 - Fosters Group
 - Tourism Development Plan
 - Others

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