

2010 Fiji National Budget Summary

27 November 2009

“Strengthening the Foundations for Economic Growth and Prosperity”

The Interim Prime Minister and Finance Minister, Commodore Voreqe Bainimarama presented the 2010 National Budget this morning, the fourth by the Interim Government.

Most businesses with the exception of exporters have experienced depressed economic trading conditions in 2009 brought about by the global economic crisis, the Nadi floods in January 2009, the 20% devaluation of the Fiji dollar in April 2009, higher import duties arising from the 2009 budget, low private sector and foreign investment in the economy and an overall reduction in spending by consumers. Official figures record that the Fiji economy contracted by 2.5% of Gross Domestic Product “GDP” compared to budgeted growth of 2.4% of GDP in 2009.

The Government of Fiji has also not been immune to these economic conditions recording decreased revenue of 5.6% in 2009 compared to 2008. As a result the Government of Fiji recorded an overall deficit of 5.5% of GDP. The budget for 2010 is a deficit equivalent to 3.5% of GDP and GDP growth of 1.9%.

The Fiji economy will grow when we have sustained private sector investment. Revenue measures announced in the 2010 Budget will have some catalyst for private sector investment such as reducing corporate tax rates to 28%, reducing tax rates on companies listed on the South Pacific Stock Exchange to 20% in 2010 (with more than 40% local equity) as well as repealing branch profit remittance tax.

Key issues that have not been addressed which concerns private sector investors are the imposition of non resident withholding tax on dividends of 15%, delayed payment of VAT refunds, excise tax levied on manufacturers and the wholesale application of Section 11a of the Income Tax Act.

Yours sincerely



Steven Pickering
Partner

Contacts



FRANCIS CHUNG
Country Managing Partner
Tax Business Advisory Services
Email: francis.chung@fj.ey.com



STEVE PICKERING
Senior Partner
Assurance and Advisory Business Services
Email: steve.pickering@fj.ey.com



SIKELI TUINAMUANA
Senior Partner
Assurance and Advisory Business Services
Email: sikeli.tuinamuana@fj.ey.com



DEEPA KAPADIA
Senior Tax Manager
Tax Business Advisory Services
Email: deepa.kapadia@fj.ey.com

Contacts

Locations		Postal Addresses	
Pacific House Level 7 1 Butt Street SUVA <u>FIJI ISLANDS</u>	131 Vitogo Parade LAUTOKA <u>FIJI ISLANDS</u>	P O Box 1359 SUVA <u>FIJI ISLANDS</u>	P O Box 1068 LAUTOKA <u>FIJI ISLANDS</u>

We have prepared this report from information received at the pre-budget lock-up session and the 2010 Budget Address released on 27 November 2009. The purpose of this report is the commentary, summary and dissemination of information with respect to the Fiji Budget for the year 2010.

Although we have taken due care and diligence in the preparation of this report, in accordance with our policy, we advise that neither the firm nor any member or employee of our firm undertakes responsibility arising in any way whatsoever to any person in respect of this report, including any errors or omissions herein.

Table of Contents



1.	Fiji's international rating	5
2.	Overview of the Fiji economy	6
3	Overview of the Fiji Government	10
4	Government priorities	14
5.	Revenue Measures	16
6.	Appendices	24

1. Fiji's international rating

1.1 Standard and Poor's ('S & P') Sovereign rating

Standard and Poor's current credit sovereign rating of Fiji is "B" for domestic and "B-" for foreign. Credit ratings by S & P are forward looking opinions about credit risk. A "B" rating by S & P indicates that Fiji as a sovereign state is "more vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments". Fiji compares to our neighbouring Pacific countries as follows:

	Domestic rating	Foreign rating
Australia	AAA	AAA
New Zealand	AAA	AA+
Indonesia	BB+	BB-
Papua New Guinea	BB-	B+
Cook Islands	BB	BB

A "BB" rating indicates less vulnerability to adverse financial conditions and a AAA rating is the highest rating in the scale.

1.2 The International Monetary Fund ('IMF')

Representatives of the IMF recently released to the Fiji media* commentary on the state of the Fiji Government as follows:

- ▶ The IMF commended "Fiji's effort to limit its overall deficit in 2009 to the budgeted level of 3.75% of GDP despite a 10% fall in revenue".
- ▶ "Central Government debt at over 50% of GDP is high by regional standards. In addition Government has contingent liabilities of 15% of GDP".
- ▶ "Economic growth in Fiji has been sluggish in recent years due to political developments delays in structural reforms and worsening terms of trade".
- ▶ "The economy is expected to contract by 2% in 2009 due to the floods in January 2009 but is expected to grow by 2% in 2010".
- ▶ "The growth outlook remains uncertain ..."

* Source: Fiji Times 25/11/2009

2. Overview of the Fiji economy

2.1 Gross Domestic Product ('GDP')

GDP size

An overview of GDP in F\$ million is as follows:

Activity	2005	2006r	2007p	2008p	2009f	2010f	2011f	2012f
Real GDP	4,296.7	4,407.5	4,386.5	4,380.3	4,271.1	4,353.2	4,459.1	4,569.1
Nominal GDP	5,069.4	5,371.5	5,483.0	5,693.5	5,965.1	6,288.1	6,694.4	7,131.8

Source: FIBOS

r - revised
p - provisional
f - forecast

2.2 GDP Growth

GDP growth by year

	2005	2006p	2007p	2008p	2009f	2010f	2011f	2012f
Growth rate	0.6%	1.9%	-0.5%	-0.1%	-2.5%	1.9%	2.4%	2.5%

Source: FIBOS

r - revised
p - provisional
f - forecast

The Fiji economy based on provisional figures contracted by 2.5% (compared to a budgeted growth of 2.5%) of nominal GDP in 2009. Major impacts on the economy are cited as the Nadi floods in January 2009 as well as the global economic contraction. Major business sectors affected were transportation, wholesale and retail, agriculture and forestry, education and hotels and restaurants.

The economy is expected to increase by 1.9% in 2010 and 2.4% and 2.5% in 2011 and 2012 respectively. Fiji's economic growth is expected to be driven by recovery in the economies of major trading partners which is expected to increase demand for exports and visitor arrivals.

Overview of the Fiji economy (cont'd)

2.3 Other macroeconomic indicators

2.3.1 Exports and Imports

Exports compared to imports (in F\$ millions) are as follows:

	2005 Actual	2006p Actual	2007p Forecast	2008p Forecast	2009f Forecast	2010f Forecast	2011f Forecast	2012f Forecast
Exports - commodities								
Sugar	223.7	215.1	185.0	248.2	187.2	131.7	143.3	180.3
Fish	82.9	97.9	101.3	134.2	158.4	166.3	174.6	192.1
Re-exports	345.0	367.3	381.0	488.2	327.8	383.7	402.9	423.0
Mineral water	67.9	86.9	105.4	109.9	112.9	115.5	119.0	122.5
Others	473.0	434.4	437.1	490.5	441.2	505.3	552.4	604.3
	1,192.5	1,201.6	1,209.8	1,471.0	1,227.5	1,302.5	1,392.2	1,522.2
Imports								
Food	355.5	386.0	394.3	520.0	520.7	540.9	567.9	596.3
Fuel	784.0	1,021.5	958.2	1,222.1	757.2	908.7	956.1	1,001.8
Manufactured goods	452.2	464.1	422.5	460.8	380.0	384.5	391.2	397.9
Machinery & transport	591.1	688.0	568.8	726.5	636.1	710.9	687.4	700.8
Others	540.0	564.7	546.3	672.0	570.1	582.4	595.1	612.5
	2,722.8	3,124.3	2,890.1	3,601.4	2,864.1	3,127.4	3,197.7	3,309.3

Source: Fiji Island Bureau of Statistics and Macroeconomic Committee

p - provisional
f - forecast

Commentary

National Exports are expected to reduce by 17.6% in 2009 compared to growth of 21.6% in 2008. Large reductions were recorded with sugar, re-exports and other domestic exports. Recovery in the quantum of exports is not expected until 2012 (comparing to 2008 levels) despite the devaluation of the Fiji dollar in April 2009 by 20%.

Similarly imports are forecast to contract by 19% in 2009 compared to 23% growth in 2008. The decline in imports mirrors the decline in exports and subdued economic activity in Fiji in 2009.

Overview of the Fiji economy (cont'd)

2.3.2 Inflation

An overview of inflation rates by year is as follows:

2004	2005	2006	2007	2008	2009 (Oct)
3.4%	2.7%	3.1%	4.3%	6.6%	6.3%

Source: Fiji Islands Bureau of Statistics

Commentary

2008 and 2009 recorded large increases in inflation. 2009 increases were as a result of the April 2009 devaluation. Inflation is estimated to decline to 2% in 2010 and 2.5% in 2011.

2.3.3 Balance of payments/foreign reserves

Commentary

For 2009 the current account deficit is expected to improve to 8.9% of GDP from a 17.1% deficit in 2008. The capital and finance account (excluding reserves) is forecast to record a surplus of 10.9% of GDP (6.6% in 2008). The strengthening of the 2009 balance of payments can largely be attributed to the devaluation of the Fiji dollar in April 2009.

By November 2009 foreign reserves were recorded at \$1,059 million compared to \$559 million at the end of 2008.

Overview of the Fiji economy (cont'd)

2.3.4 Interest rates/exchange rates

Commentary

Consistent with the Reserve Bank's lending and interest rate policies, commercial banks' lending rates continued to decline while deposit rates continued to rise during the year.

At the end of September 2009, the commercial banks' weighted average outstanding and new lending rates were at 7.64% and 8.42%, respectively. The weighted average lending rate at the end of 2008 was 7.72%.

At September 2009, the existing and new bank time deposits were 5.40% and 5.75%, respectively.

Exchange Rates

Commentary

Movements in the domestic currency have remained relatively stable, with marginal movements recorded on monthly basis. However, annual changes show substantial depreciation for the Fiji dollar against Fiji's major trading currencies, due to the "one-off" impact of the devaluation on 15 April 2009. Bilateral exchange rate movements showed that the Fiji dollar depreciated against all its trading partner currencies over the year to September 2009. Specifically, the Fiji dollar depreciated against the Australian dollar (-29.9%), NZ dollar (-24.0%), Japanese Yen (-18.1%), the Euro (12.9%) and the US dollar (-6.1%).

3. Overview of the Fiji Government

3.1 Government of Fiji's cash flow

A summary of the Government of Fiji's cash flows in F\$ millions are as follows:

F\$M	2007 (A)	2008 (A)	2009 (R)	2010 (B)
Operating Cash Flows / Operating receipts				
Direct taxes	438.34	438.55	431.91	424.66
Indirect taxes	689.0	753.0	697.71	786.57
Other receipts	150.26	210.23	193.19	219.37
Total Operating Receipts	1,277.60	1,401.85	1,322.81	1,430.6
Operating Outflow				
Payroll	584.65	564.75	630.98	600.21
Interest	181.04	168.74	186.93	225.51
Other operating costs	437.13	429.08	486.04	501.65
Total Operating Outflows	1,202.82	1,162.57	1,303.95	1,327.37
Net Operating Cash Flow	74.78	239.29	18.86	103.26
Investing Cash Flows				
Inflows	10.65	1.64	1.7	1.86
Outflows				
Fixed assets	106.55	133.71	235.39	201.39
Other investing outflows	75.04	79.04	117.41	133.82
Total Outflows	181.59	212.75	352.80	325.21
Net Cash Flows (used in) Investing Activities	(170.94)	(211.11)	(351.10)	(323.35)
Net (Deficit)/Surplus	(96.16)	28.18	(332.24)	(220.09)

Source: Ministry of Finance and National Planning

A - Actual
R - Revised
B - Budget

Overview of the Fiji Government (cont'd)

Ratios

F\$M	2007 (A)	2008 (A)	2009 (R)	2010 (B)
Payroll to receipts	48%	40%	48%	42%
Interest to receipts	15%	12%	14%	16%
Net investing cash flows to receipts	15%	15%	27%	15%
(Deficit)/Surplus to GDP	(1.8%)	0.5%	(5.5%)	(3.5%)

Commentary

- ▶ Government revenue has been substantially affected by depressed trading conditions in 2009 contracting by 5.6% compared to 2008 and 9.7% compared to the original budget. Forecast revenue is expected to increase by 8% in 2010.

Major reductions were recorded in indirect taxes particularly VAT offset by one off revenue collected for water resource tax. Major growth in revenue in 2010 is expected from growth in VAT revenues.

- ▶ Personnel and interest costs continues to dominate Government expenditure comprising 62% of Government revenue in 2009. Based on the figures there appears to be large variances in yearly personnel costs ranging from 48% of revenue in 2007 and 2009 to 42% of revenue forecast in 2010. Of concern is the increasing value of interest costs from 12% of Government revenue in 2008 and 16% of Government revenue forecast in 2010.
- ▶ The net operating cashflow in 2009 declined to \$19 million compared to \$239 million in 2008 as a result.
- ▶ The Government of Fiji has invested substantially in non current assets in 2009 spending \$236 million compared to \$134 million in 2008 (a 77% increase). Capital expenditure is expected to be \$201 million in 2010.
- ▶ As a result the net combined deficit in 2009 was \$332 million (2008 surplus of \$28 million) which is equivalent to 5.5% of nominal GDP. The Government is budgeting a deficit in 2010 of \$220 million which is equivalent to 3.5% of projected GDP.

Overview of the Fiji Government (cont'd)

3.2 Government debt and contingent liabilities

3.2.1 Government debt

Commentary

It is interesting to note that Government debt in 2000 was \$1.484 billion which was 46% of GDP. By the end of 2006 this figure had increased to a staggering \$2.863 billion (a \$1.379 billion increase in 6 years). Government is not in a position to be able to actively repay debt apart from interest from its operating cashflows.

Sound and effective management of public debt remains a key focus of Government. Overall, Government's debt policy seeks to ensure sustainable debt and deficit level through the mitigation of associated risks.

Government's debt is predominantly financed by the domestic financial market (82% - 2009) through bonds, treasury bills and other financial instruments. This strategy has proved successful as it minimizes foreign exchange risks and reduces the impact of volatilities in global financial markets. External borrowings (18% - 2009) are largely sourced for capital and infrastructural projects.

Even though contingent liabilities are not recognised in the overall debt stock calculations, it poses significant risks on the sustainability of Government debt.

An analysis of Government debt is as follows:

F\$ million	2006 (R)	2007 (R)	2008 (R)	2009 (E)
Domestic Debt	2,446.4	2,337.8	2,411.0	2,533.7
External Debt	416.7	397.0	476.0	564.4
Total Debt	2,863.1	2,734.8	2,887.0	3,098.1
Percent Inc/Dec	+18.2%	(4.4%)	+5.6%	+7.3%
Debt (% of GDP)	53.3%	49.9%	50.7%	51.9%

Overview of the Fiji Government (cont'd)

3.2.2 Contingent Liabilities

Consistent with the need to reflect the outstanding liabilities of Government at any given time, the following reflects the contingent liabilities outstanding for Government with respect to the net members' contributions with the Fiji National Provident Fund (FNPF) and government guarantee facilities to State Owned Enterprises.

At the end of 2008, contingent liabilities reached \$1.755 billion which is equivalent to 31 percent of GDP. When compared to 2007, contingent liabilities marginally rose by 2.1 percent from an increase of the total guarantee cover issued to the Fiji Electricity Authority.

	2005	2006	2007	2008 (P)
Total Portfolio:	1,222.83	1,362.77	1,718.57	1,755.7
Loan Guarantee	541.8	666.4	793.6	822.7
Net FNPF Contributions	629.13	643.77	873.27	874.7
F/Subscriptions	51.9	52.6	51.7	58.3
CL to GDP (%)	24%	25%	31%	31%

4. Government Priorities

A summary of the Government of Fiji's "roadmap for democracy and sustainable socio-economic development 2009 to 2014" is as follows:

Strengthening good governance	Economic development	Socio-cultural development
<ul style="list-style-type: none"> Formulate a new Constitution 	<ul style="list-style-type: none"> Maintain macroeconomic stability 	<ul style="list-style-type: none"> Reduce poverty to a negligible level
<ul style="list-style-type: none"> Implement Electoral and Parliamentary reforms 	<ul style="list-style-type: none"> Promote development of exports 	<ul style="list-style-type: none"> Develop Fiji into a knowledge-based society
<ul style="list-style-type: none"> Strengthen law and order 	<ul style="list-style-type: none"> Encourage import substitution 	<ul style="list-style-type: none"> Improve health service delivery
<ul style="list-style-type: none"> Strengthen accountability and transparency 	<ul style="list-style-type: none"> Raise investment levels 	<ul style="list-style-type: none"> Promote a common national identity and encourage social cohesion
<ul style="list-style-type: none"> Ensure effective and responsible leadership 	<ul style="list-style-type: none"> Avail more land for social and economic development 	
<ul style="list-style-type: none"> Enhance efficiency and effectiveness of service delivery within the public sector 	<ul style="list-style-type: none"> Enhance global integration and strengthen international relations 	
<ul style="list-style-type: none"> Formulate an integrated development structure at the divisional level 		

Government medium terms macroeconomic economic targets are as follows:

Macroeconomic Indicator	Targets
Economic Growth	Increase to 5 percent over the medium-term
Inflation	To be reduced to 3 percent over 5 years
Foreign Exchange Reserves	5 months of import cover
Government Deficit	Gradually reduce budget deficit to below 3.5 percent
Government Debt	Reduce debt to a sustainable level of 40 percent over the medium-term
Investment	Raise investment to above 25 percent of GDP
Employment	Increase annual employment rate by 3 percent

Source: Ministry of Finance

Government Priorities (cont'd)

Key medium term goals of Government are summarised as:

- ▶ improving the quality of delivery of Government service;
- ▶ achieving a target operating to capital expenditure mix of 75:25;
- ▶ outsourcing more of its capital works program to private entities;
- ▶ reducing the net deficit; increasing operating savings and ensuring the net deficit is wholly devoted to capital expenditure;
- ▶ achieving a target debt level of 40% of GDP over the medium term from operating savings; and
- ▶ continuation of structural reforms in the civil service, public enterprise, financial management and financial sector reforms.

5. Revenue Measures

INCOME TAX

Corporate Tax Rate

- ▶ The corporate tax rate will be reduced from 29% to 28% in 2010 as already announced in the 2009 Budget.
- ▶ Listed companies on the South Pacific Stock Exchange will be subject to a reduced corporate tax rate of 20% in 2010, provided the companies have more than 40% local equity shareholding.

Resident Individuals Income Tax Rates

- ▶ Tax rates for resident individuals will be amended to address the anomaly in the existing tax rates. The following rates will apply for 2010 year of assessment and subsequent years:

Chargeable Income	Tax Payable
0 - 15,000	Nil
15,001 - 15,600	25% of excess over \$15,000
15,601 - 22,000	\$150 + 31% of excess over \$15,600
22,001 +	\$2,134 + 31% of excess over \$22,000

Branch Operations

- ▶ Branch profits remittance tax of 15% will be removed by repealing Section 7C of the Income Tax Act (ITA).
- ▶ Section 21(1)(zg) of the ITA will be repealed. The 150% deduction on capital expenditure by a non-resident company for reinvestment of profits in Fiji will no longer be available.

Head Office Expenses

- ▶ The cap of head office expenses will be reduced from 5% to 3%.

Non-Resident Dividend Withholding Tax

- ▶ Section 8 of the ITA will be amended to make the portion of retained earnings included in the net asset value deemed to be dividends distributed to shareholders in the case of sale of assets or shares. This will be further clarified by Fiji Islands Revenue and Customs Authority (FIRCA).

Revenue Measures (cont'd)

Non-Resident Miscellaneous Withholding Tax - Section 8A of the ITA

- ▶ Non-resident miscellaneous withholding tax will apply in respect of all professional services paid to non-residents.
- ▶ The definition of films will be amended to bring it to par with technological changes eg. compact discs, digital video discs, video compact discs, etc.

Royalty Withholding Tax - Section 10A of the ITA

- ▶ Section 10A will be amended to address scientific and technological changes in view of e-commerce and to provide more clarity on royalty withholding tax issues.

Accounting Basis

- ▶ The ITA will be amended to insert a similar provision as in Section 36 of the VAT Decree to clearly state the accounting basis for income tax purposes.

Return By Employers of Salary and By Companies of Dividends, etc.

- ▶ Section 47(1) of the ITA will be amended to make it compulsory for employers to lodge PAYE annual summaries in electronic format.

Film-Making and Audio Visual Incentives - 6th Schedule of the ITA

- ▶ Paragraph 36(2)(b) will be amended to reduce the level of qualifying expenditure for F1 Audio-Visual Production Incentives. The following new levels of expenditure will apply:
 - ▶ 40% instead of 55% of the total production budget for large format films, feature films or broadcast television programmes;
 - ▶ 50% instead of 75% of the total production budget for direct to video programme or video disk programme; and
 - ▶ 55% instead of 80% of the total production budget for an audio recording or computer software.

Maritime Vessels Investment Allowance - 8th Schedule of the ITA

- ▶ Eight Schedule will be amended to insert the approval vessel requirements administered under Fiji Islands Maritime & Safety Administration (FIMSA).

Revenue Measures (cont'd)

Hotel Investment Tax Incentives - 11th Schedule of the ITA

- ▶ The term "island resort" will be defined.
- ▶ A local consultant will be included in the definition of "consultant fees".

Tax Free Regions Incentives - 12th Schedule of the ITA

- ▶ Paragraph 7(1)(a) will be amended to reduce the qualifying investment level from \$500,000 to \$250,000.
- ▶ Paragraph 12(1)(a) will be amended to extend the tiered qualifying investment levels currently only applicable in 2009 to 2014.

Refund of Income Tax, VAT and Customs Cheques

- ▶ With effect from 1 January 2010, FIRCA will cease the postal issuance of cheques for all income tax, VAT and customs cheques.
- ▶ It will be mandatory for all refunds issued by FIRCA to be paid directly into the bank account of all businesses and all individuals including salary and wage earners.

VALUE ADDED TAX DECREE

Tourist VAT Refund Scheme (TVRS)

- ▶ A Tourist VAT Refund Scheme will be implemented on 1 February 2010 to provide departing tourists a refund of 12.5% VAT on their purchases above \$500.

VAT Registration Threshold

- ▶ The VAT threshold for registration will be increased from \$30,000 to \$50,000 for the supply of goods and from \$15,000 to \$50,000 for supply of services.
- ▶ Voluntary registration provisions below the threshold will be removed.

Exempted Supplies - 1st Schedule

- ▶ First Schedule of the VAT Decree will be amended to clarify the supply of accommodation in residential dwelling.

Revenue Measures (cont'd)

VAT on Locally Produced Eggs

- ▶ Second Schedule of the VAT Decree will be amended to remove zero rating of VAT on locally produced eggs.

VAT on Forfeited Deposits

- ▶ Section 3 of the VAT Decree will be amended to address the VAT implication on forfeited deposits.

CUSTOMS ACT

Interpretation - Section 2

- ▶ Subsection (1) will be amended to define the following terms: assembly process, blending, break bulk, conversion process, manufacture, manufacturer, material, mixing, produce, producer and substantial transformation.

Advance Notification of Arrival of Aircraft or Ship

- ▶ Section 11A will be amended so that the advance notification on arrival requirements are not applied to in relation to an aircraft or a ship which is compelled by accident, distress of weather or any unavoidable cause to call at a place other than an airport or port.

Penalties in the Customs Act

- ▶ All penalties appearing in the Customs Act will be increased.

Duty Payments in Instalments for Yachts

- ▶ Section 32 will be amended to allow duty payments in installments over a period not exceeding 9 months from the date of first importation for yachts with a value for duty exceeding \$2million.

Licensing of Warehouses

- ▶ Section 37 will be amended to extend warehousing 70km from a port area.

Revenue Measures (cont'd)

Liability of Directors/Shareholders

- ▶ Section 95 will be amended to make Directors, Shareholders and Associates of a private company personally liable for customs duty, charge or fee due and payable under the Customs Laws.

Power to Detain and Detect

- ▶ Section 109 will be amended to give a Customs Officer the powers to detain and search any person, vehicle, packages or otherwise concealed or carried on any person without a warrant.
- ▶ Section 109A will be amended to allow provisions for a Customs Officer to deal with persons who have been taken into custody without a warrant.
- ▶ Section 109B will be inserted to allow a Customs Officer to conduct inquiries into an offence committed or about to be committed against the Customs Laws.

EXCISE ACT

- ▶ 5 cents per litre excise duty will apply on all carbonated soft drinks.
- ▶ All penalties in the Excise Act will be increased.

WRECK & SALVAGE ACT

- ▶ All penalties in the Wreck & Salvage Act will be increased.

CUSTOMS REGULATIONS

All penalties in the following Regulations will be increased:

- ▶ Customs Regulations;
- ▶ Customs (Prohibited Imports and Exports) Regulations;
- ▶ Customs Tariff (Industrial Rebates) Regulations;
- ▶ Excise Regulations;
- ▶ Excise (Industrial Rebates) Regulations; and
- ▶ Excise (Valuation of Excisable Goods) Regulations.

Revenue Measures (cont'd)

EXCHANGE CONTROL DELEGATED LIMITS

Due to the rise in foreign reserves, the Reserve Bank will increase delegated limits to authorized foreign exchange dealers effective 1 January 2010 for the following transactions:

(a) Travel:

- Increase delegated limit from \$5,000 to \$10,000 return trip;

(b) Charges/Fees/Services

- Increase delegated limit from \$50,000 to \$100,000 per invoice

(c) Airline Ticket Sales

- Increase delegated limit from \$50,000 to \$100,000 per application

(d) Education/Medical Expenses

- Increase delegated limit from \$500 to \$1,000 paid to student/patient

(e) Loan Repayments

- Increase delegated limit from \$50,000 to \$100,000 for scheduled principal and interest payments

(f) Lease Payments

- Increase delegated limit from \$50,000 to \$100,000 per scheduled payment

The revised amounts are maximum amounts delegated to authorized foreign exchange dealers. Requests for amounts in excess of these must be referred to the Reserve Bank of Fiji.

Revenue Measures (cont'd)

CHANGES TO FIJI MY SECOND HOME PROGRAMME AND FOREIGN CURRENCY ACCOUNTS SCHEME IN FIJI

The following changes will be effective from 1 January 2010:

Financial Criteria

POLICY	DESCRIPTION
<p>1. "Fiji My Second Home" programme Incentives</p>	<p>The programme is open to foreigners to stay in Fiji for as long as possible on a multiple entry social pass. The applicant should fulfill the following criteria:</p> <p>Age below 50 years old:</p> <ul style="list-style-type: none"> - Minimum deposit of F\$150,000 (reduced from F\$300,000) and maintain the deposit in Fiji for a minimum of two years. - After two years, the participant can withdraw up to F\$100,000 (reduced from \$250,000) to purchase properties and meet approved expenditure. - The participant must maintain a minimum balance of F\$50,000 (reduced from F\$100,000) from the 3rd year onwards and throughout the entire stay in Fiji under the Programme. - Interest Income from the deposit is exempt from tax. <p>Age below 50 years old:</p> <ul style="list-style-type: none"> - Minimum deposit of F\$100,000 (reduced from FS200,000) and maintain the deposit in Fiji for a minimum of two years. - After two years, the participant can withdraw up to F\$50,000 (reduced from \$150,000) to purchase properties and meet approved expenditure. - The participant must maintain a minimum balance of F\$50,000 (reduced from F\$100,000) from 3rd year onwards throughout the entire stay in Fiji under the Programme. - Interest Income from the deposit is exempt from tax.

Revenue Measures (cont'd)

POLICY	DESCRIPTION
2. Foreign Currency Accounts Scheme in Fiji	<p>The scheme is aimed at attracting non-residents, including former Fiji residents to hold funds in Fiji bank accounts. The following incentives apply:</p> <ul style="list-style-type: none">– For foreign currency accounts, interest income for deposits above the equivalent of FS150,000 (reduced from the equivalent of F\$300,000) is exempt from tax.– For Fiji dollar accounts, interest income will be exempt from tax.

Appendix 1

Table 1: Fiscal Duty Changes

POLICY	DESCRIPTION
1. Corrugated paper and paper board	Increase fiscal duty from 5% to 32%
2. Office machines that perform two or more functions	Decrease fiscal duty from 32% to 5%
3. Magnetic & Optical media	Decrease fiscal duty from 15% to 0%
4. Perfume	Decrease fiscal duty from 15% to 0%
5. Cosmetics	Decrease fiscal duty from 15% to 0%
6. Pre-shave, shaving, or after-shave preparations	Decrease fiscal duty from 15% to 0%
7. Cameras and camcorders	Decrease fiscal duty from 15% to 0%
8. Sunglasses	Decrease fiscal duty from 15% to 0%
9. Binoculars	Decrease fiscal duty from 15% to 0%
10. Video & electronic games	Decrease fiscal duty from 5% to 0%
11. Watches	Decrease fiscal duty from 15% to 0%
12. Laptops	Decrease fiscal duty from 15% to 0%
13. iPod, MP3 and MP4 players	Decrease fiscal duty from 15% to 0%
14. Jewelry	Decrease fiscal duty from 15% to 0%
15. USB Wireless Modems	Decrease fiscal duty from 5% to 0%
16. Printed calendar backs with or without illustrations; cinema theater, concerts and other tickets	The description of HS code 4911.99.10 will be amended by inserting the word "similar" after the word "other" for clarity.

Appendix 1 (cont'd)

Table 2: Import Excise Changes

POLICY	DESCRIPTION
1. Magnetic & Optical media	Impose 10% import excise duty
2. Plastic bags (non-biodegradable)	Impose 15% import excise duty
3. Cameras & camcorders	Removal of 10% excise duty
4. iPod, MP3 and MP4 players	Removal of 10% excise duty

Table 3: Export Changes

POLICY	DESCRIPTION
1. Export duty on unprocessed fish	Removal of 3% export duty on unprocessed fish.
2. Export duty on timber	Removal of 3% export duty on unprocessed timber.

Table 4: Customs Tariff Act Changes

POLICY	DESCRIPTION
1. Section 10 - Minister may grant remission or refund of duty in certain cases	Section 10 will be amended to insert the words "and import excise duty" after the words "fiscal duty"
2. Penalties in the Customs Tariff Act	All penalties in the Customs Tariff Act will be increased.

Appendix 1 (cont'd)

Table 5: Customs Concession under Part II & III Customs Tariff Act (CTA)

POLICY	DESCRIPTION
1. Amend Code 115 in Part II of Schedule 2 to the Customs Tariff Act - Vessels	Reduce the fiscal duty rate of 10% to 5% for all vessels including yachts are approved by the Comptroller.
2. Amend Code 213 in Part III of Schedule 2 to the Customs Tariff Act - The Concessionaire	Insert an additional condition that requires the concessionaire to pay duty on all goods missing, damaged, or any other deficiencies found in stock at the packing store or at the dispatch and sale centers.
3. Amend Code 213A in Part III of Schedule 2 to the Customs Tariff Act - Licensed Duty Free operators at an export warehouse	Insert an additional condition that requires the concessionaire to pay duty on all goods missing, damaged, or any other deficiencies found in stock at the packing store or at the dispatch and sale centers.
4. Amend Code 222 in Part III of Schedule 2 to the Customs Tariff Act - A hospital or medical	Insert the word "institution" after the word "medical" in column (2).
5. Amend Code 231 in Part III of Schedule 2 to the Customs Tariff Act - A producer or manufacturer in Fiji	Insert the words "including labels" after the word "goods" in column (3).
6. Amend Code 236 (iii) in Part III to be Customs Tariff Act - A producer or manufacturer approved by the Minister	Delete Code 236 (iii) columns (3), (4), (5), (6), (7) & (8).

Appendix 1 (cont'd)

Table 5: Customs Concession Section 10 of Customs Tariff Act (CTA)

POLICY	DESCRIPTION
3. Pearl Farming	<p>Reduce fiscal duty to 3% on the following items:</p> <ul style="list-style-type: none">▶ Rope specifically (DAN lines - 6mm, 10mm, 12mm, 16mm and 24mm);▶ Floats - 300mm;▶ Mono filament - 100mm;▶ Spat collector lines;▶ Protective plastic mesh;▶ Panel and pocket nets; and▶ Scientific equipments;<ul style="list-style-type: none">(a) Bag filter vessel and bag filters;(b) UV sterilizer; and(c) Chemicals (for hatchery).