

2010 Fiji Islands Budget Summary

An Overview of the Fiji Government 2010 Budget
27th November 2009



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Should you wish to discuss any aspect of the budget or any other matter, please contact us.

This Fiji Budget commentary has been prepared to provide a prompt overview of the general issues raised in the 2010 Fiji Budget. It does not cover exhaustively the subjects discussed. When specific issues occur in practice it may be necessary to refer to the laws and regulations and to obtain appropriate professional advice.

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27 November 2009

2010 Fiji Budget

“Strengthening the Foundations for Economic Growth and Prosperity”

The Interim Government’s fourth Budget was presented to the nation by the Prime Minister and Minister of Finance & National Planning, Commodore Josaia Voreqe Bainimarama. The 2010 Budget with the theme of “**Strengthening the Foundations for Economic Growth and Prosperity**,” is appropriate given the challenges confronting the nation.

The 2010 Budget delivers on certain key issues contained in the Peoples Charter and the recently approved 10 point economic plan. In times like these, Fiji needs to pool her resources, focus on what is important and muster the will to achieve the best under the prevailing circumstances. We all have a role to play in the strengthening of our economic foundations.

The 2010 Budget initiatives are designed to keep the economy ticking through the global downturn and build a stronger economic platform for sustainable growth and poverty alleviation. Whilst we may have seen the worst of the global financial crisis, there remains a general sentiment that recovery will be long drawn.

The 2010 Budget targets a net deficit of 3.5 % of GDP and the Government will focus on ensuring that resource allocation decisions are contained within the approved expenditure limits. In addition, for the medium term, Government targets economic growth of 5%, inflation to be reduced to 3% over 5 years, maintenance of minimum foreign exchange reserves to cover 5 months of imports, reduction of debt to 40% of GDP and increase the annual employment rate by 3%.

The 2010 Budget also focuses on trade and financial sector liberalisation. The reduction of duty rates on certain electronic and luxury items, removal of price controls and introduction of special initiatives for the Tourism, ICT and the Energy sectors and changes to import and export duties are commendable. Some of the key budget estimates and economic indicators are detailed in the Spotlight on the 2010 Budget and Appendix 1. The summary provides certain key statistics.

As in prior Budgets, one significant sector which continues to be neglected is manufacturing which may continue to struggle.

PricewaterhouseCoopers is pleased to provide a commentary and analysis of the 2010 Budget. Should you have any queries on the Budget or our analysis, please do not hesitate to contact any of the partner.

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SPOTLIGHT ON THE 2010 BUDGET

(a) Economic Indicators

	2010 Budget	2009 Revised	2009 Budget	2008 Actual
Real GDP	\$4,353.2m	\$4,271.1m	\$2,974.6m	\$4,380.3m
Expected growth/(decline)	1.9%	(2.5%)	2.4%	(0.1%)
Net budget deficit – amount	\$220.1m	\$332.2m	\$190.4m	(\$28.1m)
- % of Nominal GDP	3.5%	5.6%	3.0%	(0.5%)
Anticipated sugar production	187,000 tonnes	187,000 tonnes	245,000 tonnes	208,000 tonnes
Visitor arrivals	600,000	540,000	599,800	585,000
Total government debt – amount	NA	\$3,098.1m	\$3,041.7m	\$2,887.0m
- % of nominal GDP	NA	51.9%	48.0%	50.7%
Overall balance of payments surplus/(deficit)	\$98.0m	(\$403.9m)	\$12.7m	\$266.3m
Foreign reserves – November 2009	NA	\$1,059m*	NA	NA
Inflation	2.0%	7.0%	4.5%	6.6%
Civil service costs	\$600.2m	\$631.0m	\$663.0m	\$589.5m
Revenue from sale of interests in State Owned Enterprises	\$40.2m	\$40.2m	\$25.1m	\$42.0m
Interest payments – amount	\$225.5m	\$186.9m	\$186.9m	\$168.7m
- % of total operating expenditure	17.0%	14.3%	14.0%	14.5%
	2008	2007		
Contingent liabilities	\$1,755.7m	\$1,718.6m		

* This amount includes the \$188 million received under the International Monetary Fund's Special Drawing Rights allocation.

(b) **Revenue Measures**

 **Corporate Income Tax Rate**

- The corporate income tax rate will be reduced from 29% in 2009 to 28% in 2010 as announced in the 2009 Budget.

Consideration should be given to aligning the highest individual tax rate with the above.

- Companies listed 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 Individual Income Tax Rates**

Resident individual tax rates will be amended to address the anomaly in the existing tax rates. The following rates will apply for assessment year 2010 and thereafter:

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 profit remittance tax**

Section 7C of the Income Tax Act (ITA) which imposed branch profits remittance tax at the rate of 15 percent will be repealed.

 **150% deduction on capital expenditure by a non-resident company for reinvestment of profits in Fiji**

Section 21(1) (zg) of ITA allowing the 150 percent deduction will be repealed.

 **Head Office Expenses**

The cap on Head Office Expenses will be reduced from 5% to 3%.

The imposition of a cap on head office expenses is contrary to internationally accepted established practices and should be carefully reviewed. Other solutions apart from a cap should be considered. In addition, there is no definition of “head office expenses” under the ITA (although it was announced in the 2009 Budget that the term would be defined). It is imperative that a definition of “head office expenses” be introduced under the ITA

 **Amendment to Section 8 of the ITA — Non-resident dividend withholding tax**

Section 8 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 amendment may be an impediment to attracting potential foreign investment and may require reconsideration.

 **Amendment to Section 8A of the ITA — Non-resident miscellaneous withholding tax**

- Section 8A (2) will be amended to capture all professional services.

This is contrary to international accepted established principles of taxation.

- Section 8A (3) will be amended to bring it to par with technological changes e.g. compact disc, digital video discs, video compact discs, etc.
- New paragraphs will be inserted to define the terms “management payments”, “professional services” and “supply”.

 **Amendment to Section 10A of the ITA — Royalty Withholding Tax**


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 Value Added Tax Decree to clearly state the accounting basis for income tax purposes.


 **Amendment to Section 47(1) of the ITA — Return by employers of salary and by companies of dividends, etc**

Section 47(1) will be amended to make it compulsory for employers to lodge PAYE Annual Summaries in electronic format.

 **Amendment to Sixth Schedule of the ITA — Film-Making and Audio-Visual Incentives**

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.

 **Amendment to Eighth Schedule of the ITA — Maritime Vessels Investment Allowance**

The Eighth Schedule will be amended to insert the approved vessel requirements administered under Fiji Islands Maritime & Safety Administration.

 **Amendment to Eleventh Schedule of the ITA — Hotel Investment Tax Incentives**

Paragraph 2 will be amended to:

- define the term “island resort”; and
- include a local consultant in the definition of “consultant fees”.

 **Amendment to Twelfth Schedule of the ITA — Tax Free Region Incentives**

- 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, the FIRCA will cease the postal issuance of cheques for all Income Tax, VAT and Customs refunds.
- It will be mandatory for all refunds issued by the FIRCA to be paid directly into the bank account of all businesses and all individuals including salary and wage earners.

 **Tourist VAT Refund Scheme**

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**

- Section 22 of the VAT Decree will be amended to increase the VAT threshold for registration from \$30,000 to \$50,000 for the supply of goods and from \$15,000 to \$50,000 for the supply of services.
- Voluntary registration provisions below the threshold will be removed.

 **First Schedule — Exempted Supplies**

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

 **VAT on Locally Produced Eggs**

The 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 implications of forfeited deposits.

(c) Exchange Control Policies Changes

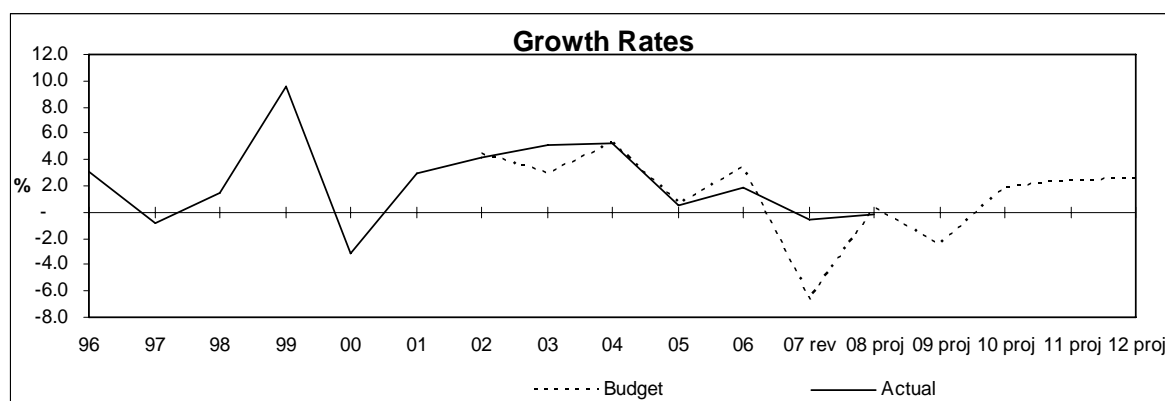
Today the Governor of RBF announced the re-delegation of specific exchange control transactions to commercial banks and foreign exchange dealers with increased limits effective 1 January 2010. The lending rate and interest rate spread policies will also be removed effective 1 January 2010.

Please refer to Appendix 4 for further details.

A STATE OF THE NATION

1. Growth Rate

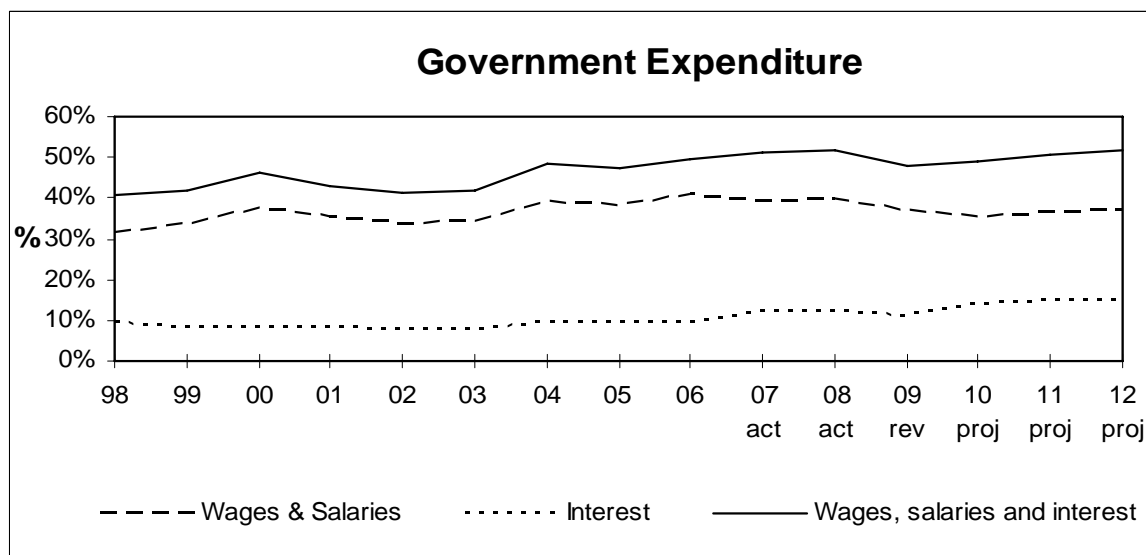
2010 = 1.9% (2009 Revised budget = -2.5 %)



Source: 2010 Budget Address Supplement
1996-2003 source: Reserve Bank of Fiji Press Release 18/2003

Real GDP forecast of \$4,353.2 million in 2010. Tourist arrivals of 600,000 (2009 revised – 540,000) and sugar production of 187,000 tonnes expected for 2010 (2009 revised – 187,000 tonnes).

2. Wages, Salaries and Interest (% of Government expenditure)

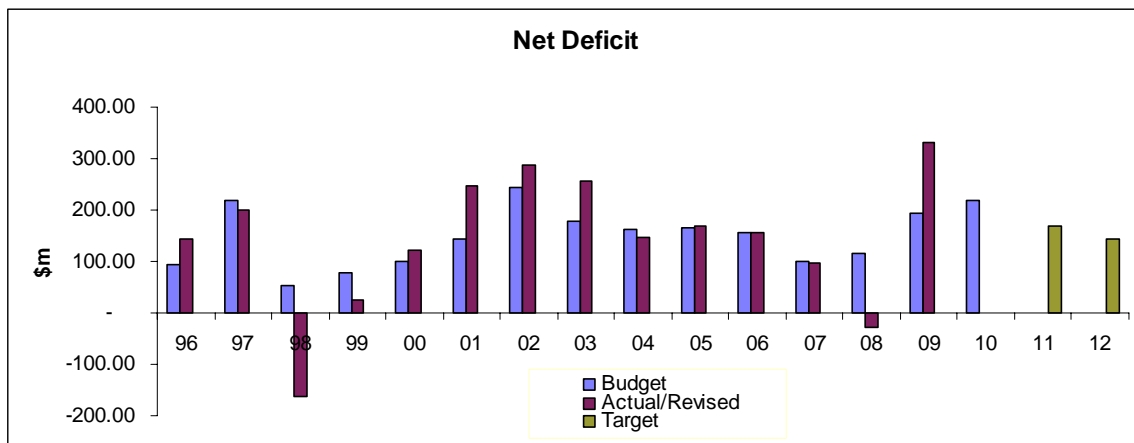


Source: 1994-2003 data: Reserve Bank of Fiji Quarterly Review, June 2005
2004 data: Budget Estimates 2006
2005 data: Revised Budget Estimates 2007
2006-2010 data: Budget Estimates 2008
2008-2012 data: Budget Estimates 2010

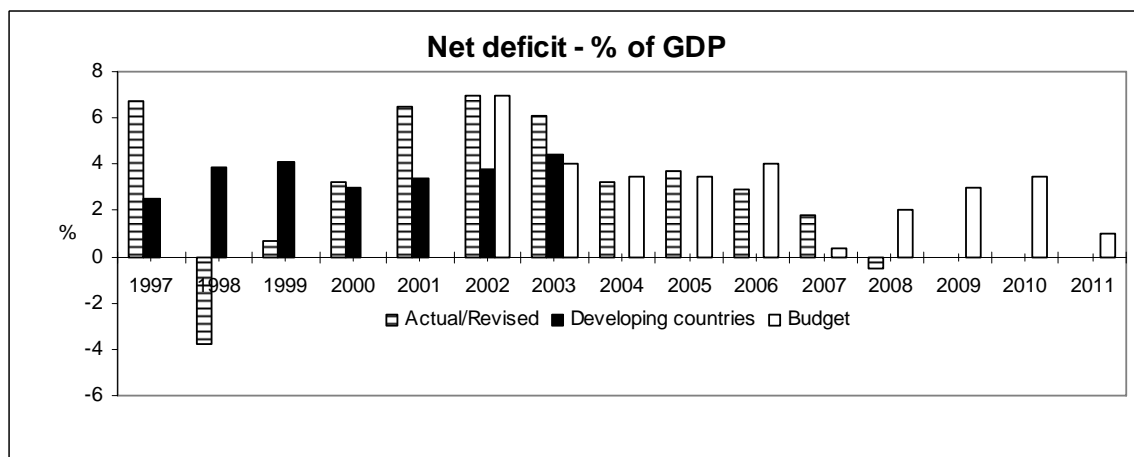
The wages, salaries and interest component of total government expenditure is expected to be 49% for 2010, increase to 51% and 52% in 2011 and 2012 respectively.

3. Budget Deficit

The gross deficit for 2010 is projected at \$496.9 million and the net deficit for 2010 is budgeted at \$220.1 million or 3.5% of nominal GDP. In comparison, 2009 net deficit of \$190.4 million has been revised to \$332.2 million.



Source: 2010 Budget Estimates



Source: 2010 Budget Supplement

4. Balance of Payments

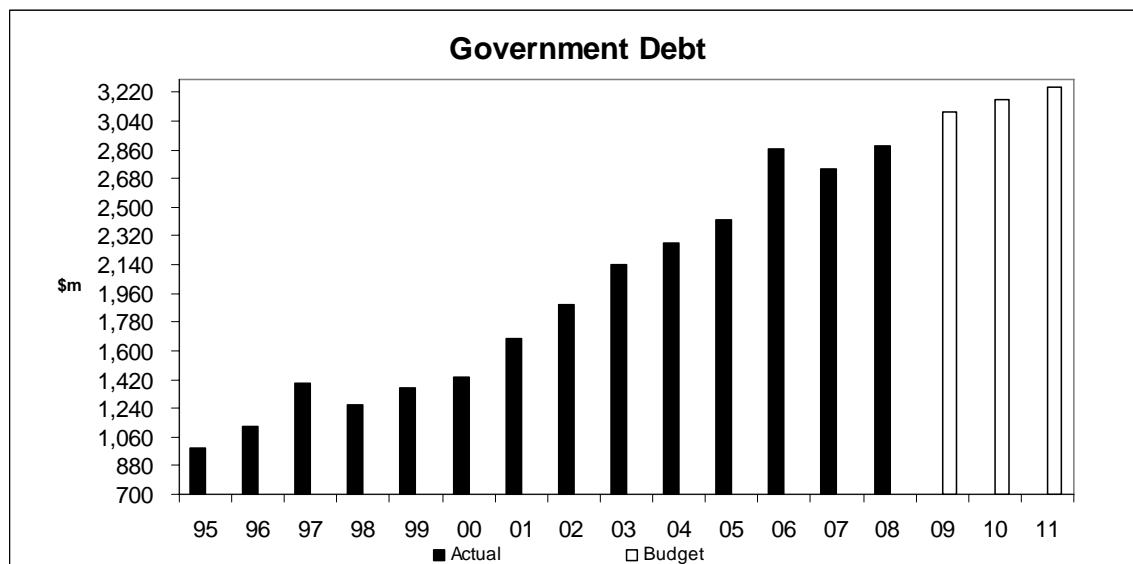
For 2009, the current account deficit is expected to improve to 8.9 percent of GDP from 17.7 percent deficit in 2008.

For 2010, the current account deficit is projected by Government to be 9.7 percent of GDP, widening by \$81 million. This is largely due to the merchandise trade deficit and the reduction in EU sugar transfers. These more than offset the higher surplus in the services balance.

The current account deficit for 2011 is projected to narrow to 7.8 percent of GDP, mainly on account of the expected increase in services surplus. The deficit is projected to narrow further to 6.8 percent of GDP in 2012.

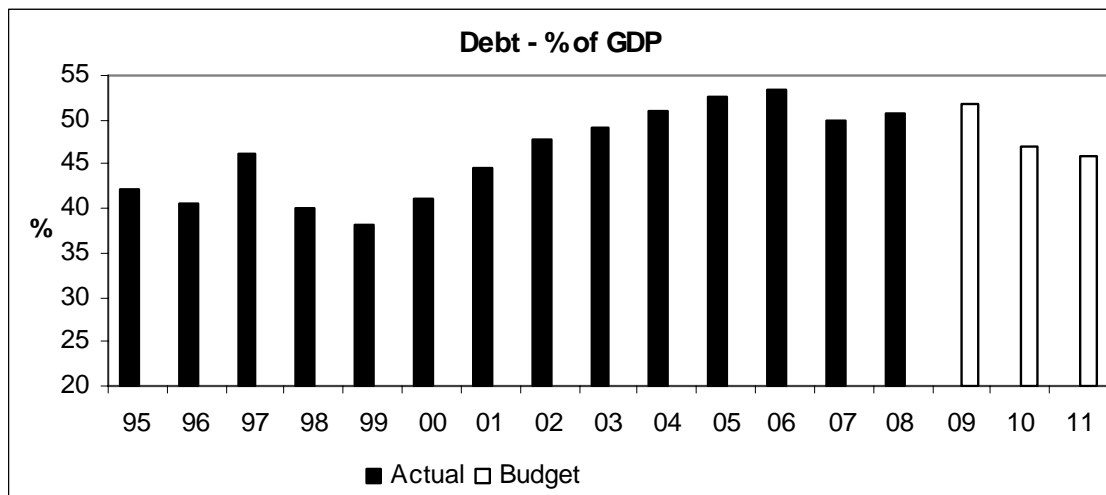
5. Government Debt

The debt estimate for 2009 is \$3,098 million.



Source: 2010 Budget Supplement

The Government's medium term fiscal strategy is to reduce the Government debt to a sustainable level of 46% of GDP or below by 2011. For 2010, it is projected to be 47%.

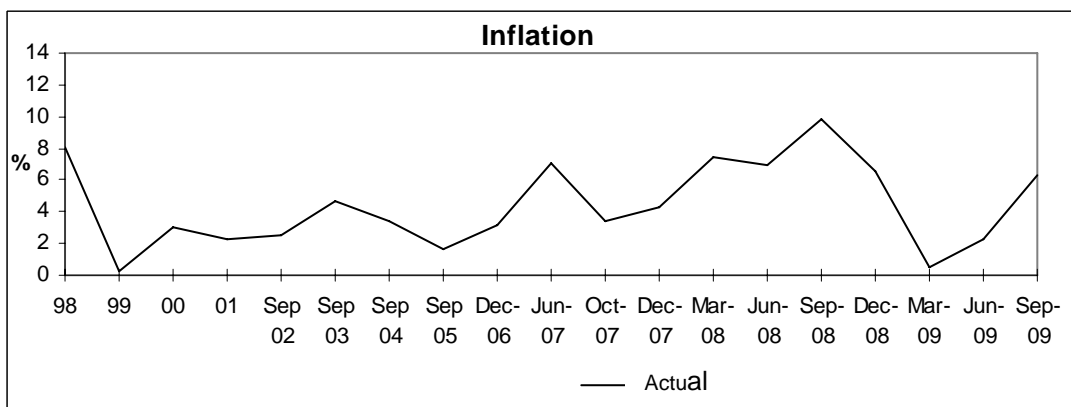


Source: 2010 Budget Supplement

6. Inflation

The 2008 year end inflation stood at 6.6 percent. By April 2009, inflation had subsided to 0.3 percent but reached 6.3 percent in October 2009. The 2009 year end inflation is forecast to reach 7.0 percent compared with an earlier forecast of 9.5 percent.

The year end inflation is projected to be around 2.0 percent for 2010 and 2.5 percent for 2011.



Source: RBF Quarterly Reviews

B GOVERNMENT STRATEGIC DIRECTION

1.0 ECONOMIC PERFORMANCE AND OUTLOOK

1.1 International Outlook

According to the International Monetary Fund (IMF), the global economy is expected to contract by 1.1% in 2009 followed by a recovery of 3.1% in 2010. Despite the positive economic outlook, the IMF expects the recovery to be slow.

1.2 Domestic Outlook

The Fiji Islands Bureau of Statistics revised the GDP data under a new base year from 1995 to 2005. Based on the revised base year the economy on average grew by 0.4% in the last 3 years.

In 2009, Fiji's economy is expected to contract by 2.5%. The flash floods and the global economy have adversely affected the domestic economy.

In his Budget Address the Minister projects the domestic economy to recover from the 2.5% decline and grow by 1.9% in 2010, supported by the recovery of Fiji's trading partners which should increase exports and visitor arrivals. The major sectors expected to boost the economy are agriculture and forestry; manufacturing; financial intermediation; wholesale and retail trade; hotels and restaurants, construction, mining and quarrying; real estate; fishing; and other community, social and personal services.

1.3 Monetary Policy

The monetary policies continue to be set by the Reserve Bank of Fiji (RBF) with the objectives of safeguarding the foreign reserves and maintaining stable prices. In 2009, the RBF undertook various policy measures including:

- reduced its lending interest rates to banks;
- introduced a \$20 million Flood Rehabilitation Facility;
- tightened exchange control policies;
- devalued the Fiji dollar by 20%;
- regulated interest rates;
- removed the credit ceiling policy although banks are still required to comply with the strict lending guidelines issued by the RBF.

Consistent with the RBF's lending and interest rate policies, commercial banks' lending rates have declined while deposit rates have risen in 2009.

Banks have also been directed to set up specialized micro-finance service centres.

1.4 Exchange Rates

The Fiji dollar was devalued in April 2009.

The Minister reported that the Nominal Effective Exchange Rate index fell by 18.8% while the Real Effective Exchange Rate (REER) index fell on an annual basis by 13.8%. The fall in the REER index indicates an improvement in international competitiveness against major trading partners

1.5 Foreign Reserves

The Budget Address reported that by November 2009, foreign reserves are about \$1,059 million, the increase as a result of the 20% devaluation of the Fiji dollar and the tight exchange control

policies of the RBF, coupled with the additional Special Drawing Rights allocation by the IMF totaling \$188 million.

2.0 EXTERNAL SHOCKS

The global financial crisis has seen various economies fall into recession. According to the IMF, the global economy is now showing signs of improving, although it will take sometime for employment conditions to improve significantly.

The Minister reported the effect of the above on three key areas of the domestic economy:

- Trade - reduction in exports, such as those of mineral water and timber.
- Tourism – Visitor arrivals in August 2009 had declined by 13% in comparison to the same time last year.
- World Commodity Prices - given Fiji’s dependence on imported mineral fuels, the recent increases in oil prices is expected to increase payments for imports of mineral oils, putting pressure on the balance of payments. On the other hand, higher gold prices (combined with exchange rate gains due to the devaluation of the Fiji dollar and increased production) have increased gold exports by 315 percent.

3.0 ROADMAP FOR DEMOCRACY AND SUSTAINABLE SOCIO-ECONOMIC DEVELOPMENT 2009-2014

The Government states that the roadmap encompasses various areas of reforms and policies that are necessary for rebuilding Fiji into a non-racial, culturally vibrant, well governed and truly democratic nation that seeks prosperity through equal opportunity for all.

To ensure effective implementation and ownership of the roadmap, the Government will undertake intensive consultations with the private sector, civil societies, Government agencies and other relevant stakeholders.

The medium-term strategic focus of the roadmap is to strengthen good and just governance, raise economic growth, and improve socio-cultural development.

The table below highlights specific strategies under the above categories.

STRENGTHENING GOOD GOVERNANCE	ECONOMIC DEVELOPMENT	SOCIO-CULTURAL DEVELOPMENT
<ul style="list-style-type: none"> • Formulate a new constitution; • Implement electoral and parliamentary reforms; • Strengthen law and order; • Strengthen accountability and transparency; • Ensure effective and responsible leadership; • Enhance efficiency and effectiveness of service delivery within the public sector; and • Formulate an integrated development structure at the divisional level. 	<ul style="list-style-type: none"> • Maintain macroeconomic stability; • Promote development of export; • Encourage import substitution; • Raise investment levels; • Avail more land for social and economic development; and • Enhance global integration and strengthen international relations. 	<ul style="list-style-type: none"> • Reduce poverty to a negligible level; • Develop Fiji into a knowledge-based society; • Improve health service delivery; and • Promote a common national identity and encourage social cohesion.

4.0 MEDIUM TERM STRATEGY

4.1 Medium Term Macroeconomic Objectives

The Government has announced its fiscal strategy for the medium-term by laying out the broad fiscal measures that aim to build a solid platform for sustainable economic growth.

The table below summarizes the Government's macroeconomic targets for the medium term which it states will provide a solid economic platform – conducive for investment and increased economic activity, creating employment opportunities and living standards.

Macroeconomic	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

The Government stated that it is aware of the impact of high expenditure on its overall debt position. In this connection, efforts will be focused by the Government on ensuring that resource allocation decisions are within the approved expenditure limits.

The Government proposes to resume a path of fiscal consolidation for the medium-term to enable the Government to move towards its goal of reducing the debt to sustainable levels.

4.2 Fiscal Policy

The Government's fiscal policy will largely focus on achieving gradual reductions in budget deficits to achieve a sustainable debt level whilst simultaneously, allocating adequate resources for investment and essential public services. The Government has also reiterated that it must work towards strengthening its financial position by resuming fiscal consolidation which will safeguard the Government against future economic shocks and prevent debt from escalating to critical levels.

4.3 Revenue Policy

The Government's revenue and taxation policies for 2010 are guided by the following key principles:

- Maintaining the integrity of the VAT system;
- Minimizing the level of distortions;
- Ensuring a simple, transparent and equitable tax system;
- Simplifying and streamlining bureaucratic tax administrative processes;
- Tightening compliance within the tax system;
- Improving collection of tax arrears; and
- Promoting the user pay principle.

The revenue measures in the 2010 Budget are in line with its revenue policy direction, which have been designed to achieve the following key policy objectives:

- Support the private sector from economic shocks experienced in 2009;
- Support export development with particular focus on resource-based sectors and industries, and promote value-adding activities;
- Strengthen compliance through, mandatory reporting and simplification of tax administration processes and procedures;
- Assist the private sector through timely processing and payment of VAT refunds;
- Implement new Government fees, fines and charges on cost recovery basis; and
- Continue close monitoring of trade liberalisation obligations and its impact on Government revenues with a view to safeguarding national interests.

4.4 Expenditure Policy

The Government's expenditure policy focuses on improving the quality and delivery of Government services in the key sectors of health, education, infrastructure, law and order, tourism, poverty assistance and rural development.

The Government has stated that it will continue to work towards achieving a target operating to capital expenditure ratio of 75:25 over the medium term and in pursuing this target the following expenditure guidelines are proposed by the Government:

- The Public Sector Investment Programme will be refined to enhance the quality of planning and design, so as to expedite implementation of capital projects;
- The Government will consider outsourcing more of its capital works programme to private entities which should expedite key projects at reasonable costs; and
- Performance budgeting methods for measuring output-costs have been adopted by Ministries and Departments in their Annual Corporate Plans which should allow the Government to gauge the extent to which agencies have delivered their outputs given allocated resources and financial flows over time.

4.5 Debt Policy

The Government's debt policy is focused on achieving the following key objectives over the medium term:

- Reducing the net deficit;
- Increasing operating savings;
- Ensuring that the net deficit is wholly devoted to capital expenditures;
- Controlling contingencies and the rate of default; and
- Implementing well-formulated debt and risk management strategies, including strategies to minimize foreign exchange losses for financing external debt.

The Government is committed to achieving a debt level target of 40% of GDP over the medium term. To achieve this, the Government aims to:

- Consistently reduce the net deficit in the medium term by increasing its operating savings over time; and
- Formulate debt management policies which focus on improving the issuance of domestic and foreign debt to reduce debt servicing costs.

The following critical factors will be taken into consideration when formulating debt and risk management strategies over the medium term:

Impact of the recent 20% percent devaluation on cost of foreign debt and its maturity profile;

- Impact of the global economic crises on overall debt sustainability as well as Government's international debt – sovereign ratings;
- Risks associated with Government's over – reliance on the domestic financial market for debt financing, including high interest rates; and
- Impact of externally financed projects / investments on debt levels and the ability of such projects to generate returns and effectively contribute towards desired policy goals.

4.6 Structural Reforms

Civil Service Reforms

The Government has announced that reform of the Civil Service is being undertaken in the following three phases:

Phase 1 – The right sizing of the public service through the reduction of operation costs by 10%.

Phase 2 – The restructuring and reorganization of ministries and departments to align staff establishments against outputs and identify opportunities for further reduction.

Phase 3 – Business Process Re-engineering, (a component of the e-Government Project) a management tool aimed at reinforcing efficiencies and updating business processes across ministries and departments.

Public Enterprise Reforms

The Government has announced that in 2010, the Government's restructure programme will encompass continuing reform initiatives for Government entities including the Department of Water and Sewerage, Fiji Islands Maritime Safety Administration, Government Shipping Services, Fiji Shipping Corporation Limited, Quarantine & Inspection Department, Fiji Meteorological Office, Land Transport Authority, National Road Safety Council, Department of National Roads and Fiji Electricity Authority.

Financial Management Reforms

The Minister announced that financial management reforms have been progressively implemented since 2005 with the main focus of strengthening the Government's financial management system to improve performance, accountability and transparency in the management of public funds.

Financial Management Information System (FMIS)

The review of the Finance Instructions, expected to be completed at the end of 2009, mainly focuses on accommodating new accounting procedures and processes that have been brought about through the automation of Government's FMIS.

With technical assistance provided by the Pacific Financial Technical Assistance Center (PFTAC), the Government will work towards the transition from Cash to Accrual Accounting. The following recommendations have been provided by PFTAC:

- Implementation of a full accrual accounting system to be contingent upon improvements to the existing cash-based accounting system, and establishment of a fixed asset recording system; and
- A six-phased approach to be adopted to facilitate systematic transition to an accrual accounting system.

Land Reforms

Land reforms over the medium-term will focus on the following key areas:

- Review of existing legislative frameworks to enhance accessibility, security of tenure and improve utilization of land;
- Review and formulation of policy framework for mineral resource development; and
- Review of organization structures within the Ministry of Lands and Mineral Resources to facilitate the utilization of land for commercial purposes as follows:
 1. Introduce an efficient land leasing system for state land;
 2. Ensure accuracy of surveys conducted through adoption of Internal Terrestrial Reference and WGS84;
 3. Establish a Fiji Land Spatial Data Infrastructure that will provide and use data considered necessary for determining best use of land; and
 4. Accelerate specialized training for staff on new land and resource technology.

Financial Sector Reforms

As supervisor of all licensed financial institutions and the Fiji National Provident Fund, the RBF continues to work on financial supervision policies to safeguard the financial system and align it with international practices and standards.

Draft policies in relation to the establishment of microfinance units by commercial banks and the creation of a local advisory board to advise commercial banks on community and economic development issues as well as complaints management policy are expected to be implemented in the first quarter of 2010.

The RBF continues to develop policies to support its role of maintaining a sound financial structure in Fiji which include the following:

- The introduction of an *Operational Risk Management Policy* for Banks and Credit Institutions and the setting up of *Minimum Guidelines for Risk Management Frameworks* of Licensed Insurers.
- Amendments to the Loans Classification Policy for Banks and Credit Institutions, aligning the policy to the requirements of the International Financial Reporting Standards;
- Revised the Offshore Insurance Placement Policy;
- Conducted a comprehensive review of the Disclosures of Fees and Changes Policy in 2009 with draft amendments to be submitted for industry consultation in early 2010.

Financial Sector Assessment Programme (FSAP)

The RBF continues to coordinate the implementation of the FSAP recommendations as laid out in the International Monetary Fund and World Bank's Joint Mission Report.

Deregulation Of The Superannuation Industry

The RBF continues to work towards developing a regulatory framework under a draft Superannuation Supervision Act which will place under regulation all entities which play a superannuation function.

Financial Intelligence Unit (FIU)

The FIU will continue to be housed and managed by the RBF in 2010 under a delegation of authority by the Minister for Justice to the Governor of the RBF. The FIU's future administration and budgetary arrangements is being considered for implementation in 2011.

Capital Market Development

The development of the capital markets in Fiji remains a priority. The RBF as regulator and policy maker continues to address challenges faced by Fiji's capital markets.

The Government has announced that the RBF will continue to explore measures to develop the secondary bond market in Fiji and that work on this will continue in 2010.

A ten year Master Plan for capital markets, mapping out the developments to date and the direction for development and growth for the next 10 years, will be completed in 2010. Furthermore, a draft capital markets stock take report has been prepared and will be finalized in the first quarter of 2010.

5.0 POVERTY ALLEVIATION AND RURAL DEVELOPMENT

The Government has indicated that a growing economy and addressing poverty are key challenges that it continues to grapple with. The 2010 Poverty Alleviation Programme (PAP) will focus on mobilizing adequate resources to priority sectors of health, education, housing, micro-finance initiatives and infrastructure development. Greater focus will be placed on implementation and monitoring mechanisms to ensure that the programmes reach the targeted group.

5.1 Poverty Alleviation Projects

Budgetary support will be provided for the following projects:

- Family Assistance Allowance Scheme (FAAS) will include a new programme to be introduced in 2010 whereby a \$30 per month food voucher is to be provided to assist the chronically ill, elderly and disabled group.
- Poverty Alleviation Projects
- Care and protection allowance
- Capital grant to voluntary organisations
- Women's plan of action
- Food Voucher Programme

The table below presents some of the Government's budgetary allocations towards poverty alleviation programmes in 2010:

Programmes	2010 Budget (\$m)
Local Government, Urban Development & Housing	
Squatter Resettlement Programme	1.50
HART	1.00
National Planning	
Northern Development Programme	1.00
Multi-Ethnic Affairs	
Multi-Ethnic Scholarships	5.50
Education	
Poverty Relief Fund	0.25
Social Welfare	
Food Voucher Program – new	7.44
Poverty Alleviation Projects	0.60
Capital grant to voluntary organizations	0.40
Family Assistance Scheme	15.00
Care and protection allowance	4.40
Women's plan of action	0.30
Cottage industry development	0.10

Programmes	2010 Budget (\$m)
Ministry of Finance - Miscellaneous	
Student's Loan Scheme	1.00
FDB – subsidy grants to all citizens	4.00
FDB – interest subsidy	0.55
Total	43.04

5.2 Rural and Outer Island Development

The Government recognises that promoting rural development sets the platform for increased economic activity in rural areas thus easing pressures for rural-urban migration. The acquisition of the Chinese Government's concessional loan facility is expected to further enhance the infrastructure development.

The table below presents some of the Government's budgetary allocations for 2010:

Programmes	2010 Budget (\$m)
Fijian Affairs	0.90
Agriculture	15.25
Provincial Development	5.50
Lands & Mineral Development	0.16
Youth Development	0.20
Health	0.30
Infrastructure & Works	37.90
Total	60.21

To attract investment in the Northern Division and maritime islands the Government has revised its tax incentive package and extended it for another three years. More emphasis is to be placed on revamping infrastructure development in the region.

6.0 IMPORT SUBSTITUTION AND EXPORT PROMOTION PROGRAM

6.1 Agriculture

The Government acknowledges that agriculture, including subsistence farming remains vital to the economy as it provides foreign exchange earnings, food security, income and basic infrastructure for rural communities. However, it is faced with challenges such as land tenure, inadequate infrastructure, poor farm husbandry practices and high costs of production.

The "Demand Driven Approach" has been initiated by the Government to address the failures in supply chain and lift the overall performance of the agriculture sector.

Government's policy goals in this sector include:

- Facilitating private sector development
- Accelerating agricultural diversification into areas of competitive advantage
- Promoting food security; including rice and milk
- Enhancing tourism-agriculture linkages

Import Substitution Programme

The Government has maintained its allocation of \$3 million in 2010 for agricultural projects aimed at reducing Fiji's growing reliance on imports, particularly rice, livestock products and vegetables.

Export Promotion Programme

The Government has allocated \$2 million in 2010 for further development of products geared towards export such as, papaya, taro, cassava, ginger, pulses and vegetables.

Agriculture and Tourism

The Government notes the heavy reliance on the imported food supplies by the tourism industry. There are plans to introduce effective mechanisms that will address the existing supply side constraints including strategic partnerships between private sector and land owners, technical training and infrastructural support to farmers.

Other Policy Initiatives

The 2010 Budget provides the following other policy initiatives to promote further development of the agriculture industry:

- More emphasis to be placed on the production of agricultural by-products and high value processed goods
- Enhancing production of rice, potato and other import substitution commodities such as dairy, sheep and beef
- Negotiations to pursue market access and Bilateral Quarantine Agreement

6.2 Tourism

The Government estimates that the visitor arrival figures for 2009 will reach 540,000 and with the anticipated recovery in global economy, the introduction of new airline services and devaluation of the Fiji dollar, arrival numbers are expected to increase further in 2010.

It recognizes that the industry faces tough competition from other international markets, with regional players becoming more influential and that it is necessary that the industry strategically positions itself to be able to meet global demand and ensure continued growth. The following initiatives are being introduced:

Super Yacht Charter Policy

In 2010, the Government will introduce a legislative framework for regulating the operations of Super Yacht in Fiji waters. The new policy provides the requisite arrangement to accommodate this high end segment of the Tourism Industry. The Government anticipates that this will generate substantial revenue.

New Marketing initiatives – CNN

Tourism Fiji will participate in a 3 - 6 months campaign in promoting Fiji to overseas markets. CNN and the National Geographic have been chosen as the two global media outlets to spearhead the campaign and execute the “Fiji Me” branding globally. In addition, CNN has offered to finance all production costs in the shooting campaign.

The Tourism Fiji Marketing Grant and Operation Fund

Government has maintained its marketing grant to Tourism Fiji at \$23.5m in the 2010 Budget. The Government also plans to introduce a Tourism Industry Act to ensure improved coordination and management of all tourism related activities.

7.0 EXTERNAL TRADE POLICY

Trade liberalization offers opportunity for Fiji to integrate itself into the global economy but also brings with it challenges particularly in terms of negotiating favorable trade conditions with major trading partners.

Fiji's recent exclusion from the Pacific Islands Forum Secretariat (PIFS) has prevented its participation in regional trade negotiations – Pacific Island Countries Trade Agreement (PICTA) and Pacific Agreement on Closer Economic Relations (PACER) Plus. Further challenges also include being the giver of Special and Differential Treatment (SDT) in certain Agreements, particularly under PICTA, compared to being the receiver of SDT under the global trading system of the World Trade Organisation (WTO). With formula tariff reductions towards duty free status over a specified period of time being an intrinsic objection of Regional Trade Agreements in particular, Fiji's revenue base is confronted with the serious risks of possible unmitigated losses.

Following are some of the Government's key policy objectives which it believes will guide Fiji's approach towards trade negotiations:

- Adopt an integrated regional approach to strengthen trade negotiations
- Overall agenda for trade reforms must be aligned to policy objectives of government as prescribed in the Roadmap Democracy and Sustainable Socio-Economic Development
- Longer timeframes for removal of trade barriers should be secured for infant and vulnerable industries
- Special exemptions should be accorded to economically depressed regions
- Alternative revenue sources must be identified through well planned reforms by government fiscal system to offset the customs revenue losses

7.1 Fiji's Regional Trade Agreements

Economic Partnership Agreement (EPA)

In November 2007, Government initialled an interim EPA (Trade in Good only) with the EU to ensure the continuation of preferential market access of sugar exports into the EU market. Fiji was given a two year grace period to sign the Interim Agreement (IA). Fiji is yet to ratify the agreement and the Government believes that Fiji's decision to sign will be subject to full exhaustion of stakeholder consultations and Cabinet's endorsement.

Government is committed to engaging with the EC at the highest level on the signing of the Agreement.

Melanesian Spearhead Group Trade Agreement (MSGTA)

The MSGTA came into force on 22 July 1993 and Fiji became a signatory 5 years later. Bulk of the intra-regional trade in the Pacific is facilitated through the MSGTA. Over time, the MSG Secretariat plans to strengthen relations with international donors and develop capacity within its existing institutional framework to administer assistance from development partners including Aid for Trade initiatives. In 2010, the MSG intends to form a Services Cooperation between the 4 member countries (Fiji, PNG, Solomon Islands and Vanuatu).

Pacific Island Countries Trade Agreement (PICTA)

After a two year stand down period, Fiji gained access to PICTA markets using the preferential tariff arrangement from 1 January 2009. At the last Forum Leaders Summit in Cairns in August 2009, Government had sought the support of State Parties to reconsider Fiji's inclusion in PICTA consultations. However, if arrangements for consultations are not agreed to by end of 2009, Fiji will eventually seek mediation under Article 22.2 of the Agreement.

South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA)

In February 2009, Australian Government agreed to lower the Local Area Content for Textile, Clothing and Footwear (TCF) export from 35 to 25%. This would give greater flexibility to our TCF exporters to access the Australian market. However, the continued exclusion of wool and wool-blend exports by the Australian government remains the biggest market access challenge for Fiji's TCF exporters under SPARTECA.

Pacific Agreement on Closer Economic Relations (PACER)

Forum leaders mandated the PACER Plus trade negotiations during the Forum leaders Summit in Cairns. Fiji's participation however, has been relegated through its forced exclusion from formal negotiations.

7.2 Private Sector-Led Investment

Fiji Islands Trade and Investment Bureau (FTIB)

FTIB focuses on 3 broad roles including policy and market research, export development and marketing, and investment registration.

There has been a downward trend in the value of Foreign Development Investment (FDI) registrations over the past 3 years as summarized below.

	2006	2007	2008
Number of Investment applications approved	441	398	245
Value of Investment applications approved (\$m)	1,014.6	495.1	405.5
Expected employment created through approved projects	10,340	7,178	3,637

Current investment reforms focus on streamlining the investment approval processes in order to fast track inflow of investments, with a view to enhance efficiency and to make the approvals process more investor friendly. The FTIB plans to take a more proactive role in coordinating approvals with other relevant authorities/ agencies and will continue to pursue measures that address factors currently impeding the timely approval of investments.

8.0 SECTORAL ALLOCATIONS

8.1 Law and Order

The allocation towards law and order is \$185.9 million compared to \$189.2 million in 2009. The following allocations have been made to maintain law and order in the country:

Departments	2010 Budget (\$000)	2009 Revised (\$000)
Fiji Prisons Service	14,909.0	15,959.9
Fiji Military Forces	92,570.2	96,829.0
Fiji Police Force	78,404.2	76,381.4
Total	185,883.4	189,170.3

8.2 Education

The Ministry of Education, National Heritage, Culture and Arts has been allocated a total of \$250.5 million. The allocations have been made as follows:

Programmes	2010 Budget (\$000)	2009 Revised (\$000)
Policy & administration	11,418.5	10,869.4
Primary education	113,406.3	114,607.0
Secondary education	111,854.5	113,991.4
Curriculum development	3,101.7	2,284.2
Tertiary technical education	1,992.7	1,589.7
Research development & training	5,350.5	5,819.4
Asset Monitoring Unit	973.7	1,041.7
Examinations	2,355.2	2,345.4
Total	250,453.1	252,548.2

In addition, the Higher Education Institutions have been allocated a total of \$62.2 million. The allocations have been made as follows:

Institutions	2010 Budget (\$000)
Fiji Institute of Technology	14,000.0
University of the South Pacific	37,597.2
University of Fiji	3,600.0
Fiji National University	7,000.0
Total	62,197.2

8.3 Health

The Ministry of Health has been allocated a total of \$148.2 million. The allocations have been made as follows:

Programmes	2010 Budget (\$000)	2009 Revised (\$000)
Policy & administration	16,896.9	13,981.6
Health services	124,124.5	127,546.4
Common services and training	6,304.8	6,693.8
Institutional services	831.1	842.7
Total	148,157.3	149,064.5

8.4 Housing

The Ministry of Local Government, Urban Development Housing and Environment has been allocated a total of \$11.7 million. The allocations have been made as follows:

Programmes	2010 Budget (\$000)	2009 Revised (\$000)
Policy and administration	2,918.2	2,959.2
Town and country planning	933.8	858.1
Housing	4,038.0	4,506.1
Environment	3,807.8	3,855.4
Total	11,697.8	12,178.8

8.5 Women

The Ministry of Social Welfare, Women and Poverty Alleviation has been allocated a total of \$33.9 million. The allocations have been made as follows:

Programmes	2010 Budget (\$000)	2009 Revised (\$000)
Policy and administration	3,007.9	3,209.3
Social welfare	29,372.4	22,568.7
Women and gender development	1,569.2	1,666.9
Total	33,949.5	27,444.9

8.6 Sports

The Department of Youth and Sports has been allocated a total of \$3.9 million. The allocations have been made as follows:

Programmes	2010 Budget (\$000)	2009 Revised (\$000)
Youth	2,938.3	3,081.2
Sports	928.3	2,410.2
Total	3,866.6	5,491.4

8.7 Primary industries

The Ministry of Primary Industries has been allocated a total of \$65.9 million. The major allocations are as follows:

Programmes	2010 Budget (\$000)	2009 Revised (\$000)
Policy and administration	12,095.6	15,953.3
Crops	15,721.0	29,095.3
Livestock	9,430.6	9,628.4
Land, drainage and flood protection	10,569.7	10,405.7
Others	18,094.9	19,889.7
Total	65,911.8	84,972.4

8.8 Land

The Ministry of Lands and Mineral Resources has been allocated a total of \$41.1 million. The allocations have been made as follows:

Programmes	2010 Budget (\$000)	2009 Revised (\$000)
Policy and administration	395.5	380.3
Mineral resources	3,848.3	4,154.5
Land and surveys	36,892.1	40,878.3
Total	41,135.9	45,413.1

8.9 Tourism

The Ministry of Public Enterprise, Tourism and Communication has been allocated a total of \$30.9 million. The allocations have been made as follows:

Programmes	2010 Budget (\$000)	2009 Revised (\$000)
Policy and administration	27,925.3	27,460.5
Communications	1,433.4	3,091.9
Public Enterprise	1,551.5	1,575.3
Total	30,910.2	32,127.7

8.10 Trade

The Ministry of Industry and Trade has been allocated a total of \$14.6 million. The allocations have been made as follows:

Programmes	2010 Budget (\$000)	2009 Revised (\$000)
Policy and administration	6,810.1	6,491.8
Commerce and industry	4,180.1	4,894.8
Fair trading	1,694.7	1,831.0
Department of co-operatives and small business	1,877.3	2,002.5
Total	14,562.2	15,220.1

8.11 Transport

The Ministry of Works and Transport has been allocated a total of \$141.8 million. The allocations have been made as follows:

Programmes	2010 Budget (\$000)	2009 Revised (\$000)
Policy and administration	34,263.2	21,803.5
Meteorological services	4,359.3	5,342.0
Fiji maritime safety administration	2,465.1	2,216.0
Common services	25,563.1	27,326.7
Roads and jetties	75,134.3	116,428.4
Total	141,785.0	173,116.6

8.12 Utilities

The Ministry of Public Utilities and Energy has been allocated a total of \$124.1 million. The allocations have been made as follows:

Programmes	2010 Budget (\$000)	2009 Revised (\$000)
Energy	8,688.3	16,748.4
Provision of water supplies	89,725.8	94,475.1
Sewerage services	25,733.4	26,119.3
Total	124,147.5	137,342.8

8.13 Miscellaneous

The Government has allocated a further \$43.1 million for miscellaneous services. Miscellaneous services provide contingency funding. These allocations are released under the authority of the Permanent Secretary for Finance.

BUDGET ESTIMATES AND KEY INDICATORS

	2008	2009	2009	2010
BUDGET ESTIMATES	Actual	Budget	Revised	Budget
	\$m	\$m	\$m	\$m
Revenue	1,454.9	1,522.4	1,383.0	1,486.5
Expenditure	1,426.8	1,712.8	1,715.2	1,706.6
Net surplus / (deficit)	28.1	(190.4)	(332.2)	(220.1)
Loan redemption	253.7	329.6	329.6	276.8
Budget gross (deficit)	(225.6)	(520.0)	(661.8)	(496.9)

KEY INDICATORS	2008 Actual	2009 Budget	2009 Revised	2010 Budget
GDP at market prices (\$m)	5,693.5	6,348.0	5,965.1	6,288.1
Gross deficit as % of GDP	4.0%	8.3%	11.1%	7.9%
Expenditure as % of GDP	25.1%	27.0%	28.8%	27.1%
Real GDP (\$m)	4,380.3	2,974.6	4,271.1	4,353.2
Real GDP growth rate	(0.1%)	2.4%	(2.5%)	1.9%
Outstanding government debt (\$m)	2,887.0	3,041.7	3,098.1	NA
Growth in debt	5.6%	6.7%	7.3%	NA
Total domestic exports (\$m)	1,471.0	1,437.5	1,227.5	1,302.5
Overall balance of payments surplus/(deficit) (\$m)	266.3	12.7	(403.9)	98.0
Inflation	6.6%	4.5%	7.0%	2.0%

CUSTOMS TARIFF CHANGES (Effective immediately)

1. FISCAL DUTY CHANGES

POLICY	DESCRIPTIONS
Corrugated paper and paper boards	Increase fiscal duty from 5% to 32%
Office machines that perform two or more functions	Re-structure and align fiscal duty rate to 15%
Magnetic & optical media	Decrease fiscal duty from 32% to 5%
Perfume, cosmetics, pre-shave, shaving, or after-shave preparations, cameras and camcorders, sunglass, binoculars, watches, laptops, IPod, MP3 & MP4 players, jewelry	Decrease fiscal duty from 15% to 0%
Video and electronic games, USB Wireless Modems	Decrease fiscal duty from 5% to 0%
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.

2. CUSTOMS CONCESSION UNDER PART II & III OF THE CUSTOMS TARIFF ACT

POLICY	DESCRIPTION
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 as approved by the Comptroller.
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 & sale centers.
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 & sale centers.
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).
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).
Amend Code 236(iii) in Part III to the Customs Tariff Act – A producer or manufacturer approved by the Minister	Delete Code 236(iii) columns (3), (4), (5), (6), (7) & (8).

3. CUSTOMS CONCESSIONS UNDER SECTION 10 OF THE CUSTOMS TARIFF ACT

POLICY	DESCRIPTIONS
Pearl Farming	Reduce fiscal duty to 3 % on the following items: a. Rope specifically (DAN lines — 6mm, 10mm, 12mm, 16mm and 24mm); b. Floats — 300mm; c. Mono filament — 100mm; d. Spat collector lines; e. Protective plastic mesh; f. Panel and pocket nets; and g. Scientific equipments: i) Bag filter vessel and bag filters; ii) UV sterilizer; and iii) Chemicals (for hatchery).

4. IMPORT EXCISE CHANGES

POLICY	DESCRIPTIONS
Magnetic and optional media	Impose 10% import excise duty
Plastic bags (non-biodegradable)	Impose 15% import excise duty
Cameras and camcorders, IPod, MP3 & MP4 players	Removal of 10% import excise duty

5. EXPORT DUTY CHANGES

POLICY	DESCRIPTION
Export duty on unprocessed fish	Removal of 3% export duty
Export duty on timber	Removal of 3% export duty on raw and unprocessed timber

6. AMENDMENT TO THE CUSTOMS ACT

POLICY	DESCRIPTIONS
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”.
Penalties in the Customs Tariff Act	All penalties in the Customs Tariff Act will be increased.

7. CHANGES TO CUSTOMS ACT

Section 2— Interpretation

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”.

Advanced 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

All penalties appearing in the Customs Act will be increased.

Particulars of Entries

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 \$2 million.

Licensing of Warehouses

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

Directors/Shareholders will be liable for Customs duty, charge or fee due and payable under the Customs Laws

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 Search Persons

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.

Power To Detain Without 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.

Power To Detect

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.

8. WRECK & SALVAGE ACT

Penalties

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

9. **EXCISE ACT**


 **Carbonated Soft Drinks**

Impose 5 cents per litre excise duty on all carbonated soft drinks.

 **Penalties**

All penalties in the Excise Act will be increased.

10. **Penalties in the 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

**EXCHANGE CONTROL POLICY CHANGES
(Effective 1 January 2010)**

Foreign Exchange Transactions (payments/remittances)

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

Category	Old Delegated Limits	New Delegated Limits
1. Charges/Fees/Services	\$50,000 per invoice	\$100,000 per invoice
2. Airline Ticket Sales	\$50,000 per applicant	\$100,000 per applicant
3. Loan Repayments Principal and interest payment	\$50,000 per scheduled payment	\$100,000 per scheduled payment
4. Lease payments	\$50,000 per scheduled payment	\$100,000 per scheduled payment
5. Education/Medical Expenses Paid to student/patient	\$500 per annum	\$1,000 per annum
6. Travel Allowance Return-ticket	\$5,000 per trip	\$10,000 per trip

**CHANGES TO FIJI MY SECOND HOME PROGRAMME AND FOREIGN CURRENCY ACCOUNTS SCHEME IN FIJI
(Effective 1 January 2010)**

1. “FIJI MY SECOND HOME” PROGRAMME INCENTIVES

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:

Age below 50 years old:

- 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.

Aged 50 years old and above:

- Minimum deposit of F\$100,000 (reduced from F\$200,000) 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 the 3rd year onwards and throughout the entire stay in Fiji under the Programme.
- Interest income from the deposit is exempt from tax.

2. FOREIGN CURRENCY ACCOUNTS SCHEME IN FIJI

The scheme is aimed at attracting non-residents, including former Fiji residents to hold funds in Fiji bank accounts. The following incentives apply:

- For foreign currency accounts, interest income for deposits above the equivalent of F\$150,000 (reduced from the equivalent of F\$300,000) is exempt from tax.
- For Fiji dollar accounts, interest income will be exempt from tax.

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