



Commodore Josaia Voreqe Bainimarama
Prime Minister and Minister for Finance
and National Planning and Sugar; Minister
for Public Service; People's Charter for
Change; Information and Archives;
Provincial Development, Indigenous and
Multi-Ethnic Affairs

2010 Revised Budget Brief

The Prime Minister and Minister for Finance and National Planning and Sugar; Minister for Public Service; People's Charter for Change; Information and Archives; Provincial Development, Indigenous and Multi-Ethnic Affairs, *Commodore Josaia Voreqe Bainimarama*, presented the *2010 Revised National Budget* today.

The theme of the 2010 Revised Budget has been maintained as "Strengthening the Foundation for Economic Growth and Prosperity".

The Prime Minister announced that the cyclone Mick in December 2009 and Cyclone Thomas in March 2010 has resulted in unanticipated costs to the Government of \$143 million. This together with unanticipated expenditures arising from termite infestation has compelled the Government to revise its National Budget for better accountability and transparency.

The Prime Minister said "Our reserves position remains healthy at above 1 billion dollars. However, we need to sustain and grow our reserve level by reducing our current account deficit. This means concerted effort is needed to raise our exports, increase food security by growing more local foods and in the process reduce imports".

While the GDP growth rate is revised to 1.8%, Government is faced with the challenging task to stabilise Government finances and achieve higher economic growth.

The Prime Minister confirmed that Government also plans to commence adopting International Public Sector Accounting Standards and to move from cash to accrual accounting.

This resume provides a brief outline of the major aspects of the Government's Revised Budget for the year 2010 and is based upon a quick analysis of the Revised Budget.

We trust that you find this resume useful. If you would like to discuss any aspect of the impact of the Revised Budget on your organization, please take the opportunity to contact us.

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This newsletter is correct to the best of our knowledge and belief at the time of going to press. It is, however, written as a general guide so it is recommended that specific professional advice is sought before any action is taken.

2010 REVISED BUDGET OVERVIEW

Key indicators of economic outlook are summarised below:

	2010 Budget Estimate	2010 Revised Budget Estimate
Gross domestic product - million dollars	\$6,288	\$6,188
GDP Growth - real	1.9%	1.8%
Expenditure - million dollars	\$1,706	\$1,715
Revenue -million dollars	\$1,486	\$1,497
Net budget deficit - million dollars	\$220	\$218
Net budget deficit as a % of GDP	3.5%	3.5%
Inflation - estimates	2%	5%

Revenue Measures

Revenue measures announced include:

- Initiative to promote exports and imports substitution.
- Promote local production to support food security.
- Reduce importation of fuel through reduction of duty on fuel-efficient vehicles.
- Broaden revenue base.
- Strengthen compliance.
- Provide assistance to the poor and those on the margins.
- Provide improved primary and maternal health care.

Direct Taxation Measures - Income Tax

- Dividends paid by SPSE listed entities will be granted "deemed tax credit" to allow full tax exemption of dividends. We understand full tax exemption will now be available to immediate as well as ultimate shareholders, and also to non-resident shareholders.
- To improve compliance, it will be mandatory to have all new business licenses, bank accounts and other business registrations linked and identified with a tax number. It will also be mandatory that all employees provide tax identification number to their employers.

2010 REVISED BUDGET OVERVIEW

Indirect Taxation Measures - VAT

- General insurance, excluding medical, term life and workmen's compensation, to be subject to VAT.

Indirect Taxation Measures - Duty

The duty changes, which is effective from 2nd July 2010, are as follows:

- New motor vehicles - under 1500cc
 - Fiscal duty reduced from 32% to 15%
- New buses - sitting capacity of 23 persons and over
 - Fiscal duty reduced from 32% to 5%
 - Import excise reduced from 15% to 5%
- New trucks - gross weight of 3 tons or less
 - Fiscal duty reduced from 32% to 15%
- Jet Ski for tourism industry
 - Fiscal duty reduced from 32% to 5%
- Fresh and chilled vegetables
 - Fiscal duty increased from 5% to 15% to promote local produce
- Shelled peas
 - Fiscal duty reduced from 5% to 0%.
- Rice and tinned fish
 - Fiscal duty rate of 0% is retained.

Airport Departure Tax

- Increased from \$75 to \$100.

Foreign Reserves

- Foreign reserves remains over \$1 billion.

Used and Reconditioned Motor Vehicles

- Age limit for used and reconditioned motor vehicles reduced from 8 years to 5 years.

2010 REVISED BUDGET OVERVIEW**Other Initiatives and Measures**

- Income Tax Act
 - Income Tax Act will be reviewed with the assistance of IMF to provide clarity, simplicity and transparency.
 - Work is expected to start in September 2010 and expected to be completed by June 2011.
- Government Accounting
 - Government to adopt accrual accounting and International Public Sector Accounting Standards.
- Government Printing
 - Government Printery is proposed to be privatised.
- Infrastructure Improvements
 - Government to promote infrastructure improvements with particular focus on roads, water and sewerage and ports.
- Food Voucher and Assistance to School Children
 - Food voucher programme to continue.
 - Bus assistance and other assistance to school children to continue.
- Land Reforms
 - Land Use Decree approved by Cabinet which will provide legal framework for leasing of iTaukei and State owned land at market rates. The law allows for the establishment of a land bank from which potential investors and farmers can sub-lease or lease land from the State for a lease period up to 99 years.

Quote - Progress is impossible without change; and those who cannot change their minds cannot change anything.
- George Bernard Shaw

Quote - The hardest thing in the world to understand is income tax.
- Albert Einstein