

2010 Revised Fiji National Budget Summary

2 July 2010

“Strengthening the Foundations for Economic Growth and Prosperity”

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

The reasons for the revision of the 2010 Fiji National Budget were summarized as follows:

- ▶ Discussions with the International Monetary Fund (IMF) with relation to move from cash to accrual accounting for the government which would result in an increase in the deficit as a percentage of GDP from 3.5% to 4.9%.
- ▶ Cyclone Mick and Cyclone Tomas which resulted in spending of \$143m.
- ▶ Termite infestation in the West which resulted in \$4.5m spending primarily on chemicals.
- ▶ Dredging of the Rewa River.

The new revenue measures are aimed at promoting exports and local production (import substitution), reducing duty on fuel efficient vehicles, supporting the development of the capital market, strengthening compliance, and assisting the poor and improving primary health care.

The current state of the economy was summarized as follows:

- ▶ Revised net deficit of \$280m which is equal to 3.5% of nominal GDP.
- ▶ Reserves are in excess of F\$1bn, but still need to increase exports and reduce imports.
- ▶ Improved liquidity but inflation continued to increase. However, prices are expected to stabilize at 5% inflation by year end.
- ▶ GDP growth rate revised to 1.8%.

Reduction in Government spending from:

- ▶ \$40m salaries and wages
- ▶ \$3m other operating expenses
- ▶ \$25m capital expenditure
- ▶ \$7m VAT

New revenue measures:

Income tax and VAT

- ▶ Dividends paid by companies on the South Pacific Stock Exchange to its shareholders will be treated at deemed tax paid and hence not subject to tax in the hands of the shareholders including non-resident shareholders as verbally confirmed by the Chief Executive Officer of Fiji Islands Revenue and Customs Authority.
- ▶ 12.5% VAT will be imposed on general insurance except medical, life and workmen's compensation.

Decrease in fiscal and excise duties

- ▶ New passenger vehicles not exceeding 1500cc - fiscal duty reduced from 32 to 15%.
- ▶ New buses for transports of more than 22 persons - fiscal duty reduced from 32 to 5% and import excise duty reduced from 15 to 5%.
- ▶ New goods vehicles of gross vehicle weight not exceeding 3 tonnes - fiscal duty reduced from 32 to 15%.
- ▶ Jetski - fiscal duty reduced from 32 to 5%.

Increase in fiscal duties

- ▶ Imported fresh and chilled vegetables (leeks and other alliaceous vegetables, chicory, cucumbers and gherkins, asparagus, aubergines, celery, mushrooms, truffles, spinach, etc.) -increased from 5 to 15%.
- ▶ Shelled peas - decreased from 5 to 0%.
- ▶ Rice and tuna - remain at 0%.

Other

- ▶ Airport departure tax - increased from \$75 to \$100.
- ▶ Age of used imported vehicles - reduced from 8 to 5 years.

Other FIRCA incentives

- ▶ e-Payments for taxes come into effect today.
- ▶ Door to door registration for tax purposes.
- ▶ Revision of the Income Tax Act to commence in September with a planned effective date of 1 June 2011.

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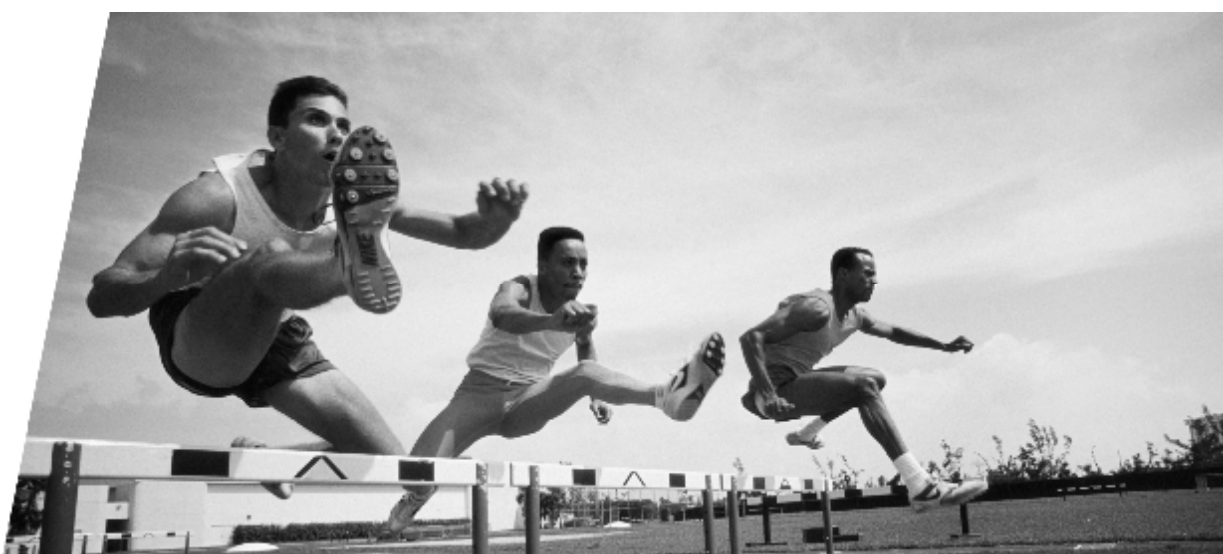
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We have prepared this report from information received from the 2010 Revised Budget Address released on 2 July 2010. The purpose of this report is the commentary, summary and dissemination of information with respect to the Revised Fiji Budget for the year 2010.

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