

NATIONAL BUDGET BRIEF 2024 - 2025



28 June 2024

The Deputy Prime Minister and Minister for Finance, Strategic Planning, National Development and Statistics, Hon. Professor Biman Prasad, presented the 2024 - 2025 National Budget on 28 June 2024.

The theme of the 2024-2025 Budget is "**An Economically Stable, Secure and Sustainable Fiji**".

The Minister commented that "*The words "security, stability and sustainability" are what we have chosen. These words are not glamorous, action-packed or exciting. But they define what is needed right now*".

For 2024-2025, total estimated revenue is \$3.917 billion and total estimated expenditure is \$4.552 billion, resulting in an estimated net deficit of \$635.5 million, representing net deficit of 4.5 percent of GDP.

The Minister also commented that "*We are restoring trust in the Government, and this is vital if we are to work together to build our economy*".

This resume provides a brief outline of certain aspects of Fiji Government's August 2024 - July 2025 National Budget and is based upon a quick analysis of the Budget Address and Economic and Fiscal Update Supplement to the 2024 - 2025 Budget Address.

We trust that you find this resume useful. If you would like to discuss any aspect of the Budget, please do contact us.

Contents

- Economic Outlook and Overview
- Budget Overview
- Medium Term Fiscal Framework
- Medium Term Fiscal Strategy
 - Medium Term Fiscal Framework
 - Revenue Strategy
 - Expenditure Strategy
 - Debt Management Strategy
- Government Debt
- Government's Cashflow
- Investment Facilitation
- Direct Tax Measures
 - Income Tax Act
 - Tax Administration Act
- Indirect Tax Measures
 - Value Added Tax (VAT) Act
 - Airport Departure Tax Act
 - Fiji Revenue and Customs Service Act
 - Customs Tariff Act
 - Excise Act
 - Water Resource Tax Act
 - Customs Act / Regulations

ECONOMIC OUTLOOK AND OVERVIEW

Key Indicators of Economic Outlook

	Calendar Year 2025 Forecast	Calendar Year 2024 Forecast	Calendar Year 2023 Estimate	Calendar Year 2022 Provisional	Calendar Year 2021	Calendar Year 2020	Calendar Year 2019
Real gross domestic product – million dollars	11,559	11,218	10,917	10,106	8,421	8,853	10,671
GDP growth / - contraction – real %	3.0	2.8	8.0	20.0	-4.9	-17.0	-0.6
Nominal gross domestic product – million dollars	14,324	13,613	12,563	10,963	8,914	9,613	11,762
GDP growth / - contraction – nominal %	5.2	8.4	14.6	23.0	-7.3	-18.3	1.0
Total exports – million dollars (excluding aircraft)	2,721	2,535	2,403	2,322	1,806	1,759	2,158
Total imports – million dollars (excluding aircraft)	7,337	7,171	6,780	6,586	4,176	3,738	5,074
Visitors' arrival – numbers	986,000	958,000	930,000	636,000	32,000	147,000	894,000
Tourism earnings - million dollars	2,511	2,566	2,368	1,499	37	315	2,065
Imports – Food – million dollars	1,164	1,152	1,144	1,071	783	738	787
Imports – Mineral fuel – million dollars	1,864	1,842	1,694	1,626	721	657	1,124
Imports – Machinery and transport equipment – million dollars	1,884	1,807	1,713	1,426	1,252	838	2,316
Exports - Sugar and molasses - million dollars	164	165	160	160	84	125	114
Exports - Mineral water – million dollars	385	336	356	362	313	223	294
Exports – Gold – million dollars	202	135	98	101	133	134	109
Re-exports (including Mineral Fuels, excluding aircraft) – million dollars	1,147	1,122	1,056	948	574	612	991
Balance of secondary income – million dollars	1,431	1,491	1,277	1,001	1,527	895	698
Balance of payment - Current account balance (excluding aircraft), net deficit – million dollars	-447	-554	-935	-1,884	-856	-1,303	-574
Inflation (All items – year end) - %	2.5	3.1	5.1	3.1	3.0	-2.8	-0.9

BUDGET OVERVIEW

2024-2025 Budget Framework

- The Minister commented that the 2024-2025 Budget is set against a backdrop of some major headwinds, and as such the Government needed to strike a delicate balance between the speed at which to reduce the deficit and debt against the need to support the economy and fix public infrastructure.
- Against this backdrop, the 2024-2025 Budget is set with a total expenditure of \$4.552 billion and a total revenue of \$3.917 billion.
- Subsequently, the fiscal deficit is set at \$635.5 million, or 4.5 percent of GDP.
- The debt to GDP ratio is projected to decline further to around 77.8 percent by the end of July 2025.
- FRCS is expected to exceed the \$3 billion dollar mark in tax collections for the first time this year.
- For the 2024-2025 Budget, tax collections are estimated at \$3.3 billion while non-tax revenue collections are budgeted at \$618 million.
- Based on the Government's 15-year fiscal framework, target is for a debt to GDP ratio of close to 60 percent by 2040.

Value Added Tax (VAT)

- No change in VAT rates. 0% and 15% VAT rates to continue.

Company Tax

- No change in corporate tax rate, Standard corporate tax remains at 25%.

Personal Income Tax

- No change in personal income tax structure and rates.

Dividend / Distribution Tax

- Tax exemptions to continue for dividends from companies or branch profit remittance.

Tourism

- The tourism industry flourished with a record 929,000 visitors last year. National airline, hoteliers and other industry players had a year of record profits. This had a major flow on effect on other sectors, fueling increased domestic spending, employment opportunities and increased tax collections. The momentum continues, with visitor arrivals still growing by around 7 percent in the first 5 months of 2024.

Personal Remittances

- Personal remittances increased to a phenomenal \$1.25 billion last year, growing at an average of around 20 percent. Remittances have become a major contributor to the economy, supporting thousands of families and livelihoods and it is projected that remittances will continue to grow.

Foreign Reserve

- Foreign reserves position remains strong at almost \$3.3 billion, equivalent to 5.3 months of import cover. The exchange rate remains stable. Trade flows are growing.

Banking Liquidity

- Liquidity levels of around \$1.9 billion is keeping interest rates low. Non-performing loans in the financial sector, post pandemic, have come down and the financial sector remains sound and stable.

BUDGET OVERVIEW (CONT'D)

Inflation

- Although, an uptick in the inflation rate is noted, year-end inflation is expected to stabilize around 3 percent this year and down to 2.5 percent by next year.

National Energy Plan

- The focus of National Energy Plan is the improvement of Fiji's performance in the generation of renewable energy. Fiji's performance in this area over the last 10 years has been poor. The Government is determined to refocus on renewable energy generation and hoping to make this a key priority in the coming fiscal year. Aim is to ensure the right commercial environment is created for both EFL and independent power producers in the renewable energy sector to thrive. Reducing Fiji's reliance on fossil fuels is not just an environmental but also a macroeconomic priority.

New Hotel Projects

- With the growth in the tourism industry, a number of new hotel projects have been announced, including the Rydges by the FMF Group, Days Inn by Wyndham, Radisson Blu Mirage, One and Only in the Yasawa group, Namuka Bay Resort, Nalagi Apartments and Yatu Lau and Damodar investment in Pacific Harbour. Hotels projects that are under construction include Vatu Talei through Sofitel Fiji, Crowne Plaza, Westin, Hilton Garden Inn in Suva, Wananavu Beach Resort in Rakiraki, the Cathay Hotel redevelopment in Lautoka, Paramount Hotel in Nadi and Wyndham Garden in Wailoaloa Nadi.
- The Government is working closely with approval agencies to get some of these investments moving while the ongoing ones are being expedited as weather conditions have improved. The current low interest environment is very conducive to support some of these major investments. The Government is working on some major strategies to deal with labour issues by improving immigration services and investing in quick skill training.

Civil Service

- Major pay rise for civil servants, which will inject almost \$85 million for around 42,000 public sector employees.
- This pay rise ranges from 7 percent up to 20 percent depending on the salary bands.
- There are more than 42,000 publicly funded employees - around 38,000 in the civil service and around 4,000 in independent institutions and state funded entities. This comes at a huge cost of around \$1.2 billion.
- Effective from 1st August 2024, all salary based civil servants will receive a pay rise of around 7 percent to 10 percent while wage earners will get an increment ranging from 10 percent up to 20 percent.
- Following this major salary adjustment exercise, the Government will work with the Australian Government to undertake a holistic functional review of the civil service establishment and salary structure across public entities. There is an urgent need to bring parity in the salaries of publicly funded employees and right size the establishment.

National Minimum wage

- Following a comprehensive review by an independent panel of experts, including numerous consultations with employers, unions, Government and other stakeholders, the national minimum wage will be increased to \$5.00 per hour.
- The actual implementation will be undertaken in 2 phases. Effective from 1st August 2024, the national minimum wage will be increased to \$4.50 an hour with a further increase to \$5.00 an hour effective from 1st April 2025.
- In tandem, the 10 sectoral wages will also increase. Effective from 1st August 2024, all sectoral wages will increase by 50 cents across the board, followed by a further 50 cents from 1st April 2025.
- The Government also recognize the additional economic burden on some employers. Government is open to looking at solutions for those employers who are challenged by these new rates. It is anticipated that the new minimum wages will improve productivity and reduce employee absenteeism by providing greater incentives to lower-paid employees to improve their attendance and aspire to higher incomes by acquiring more skills and experience to become more productive.

BUDGET OVERVIEW (CONT'D)

Fiji National Provident Fund

- Following a remarkable financial performance by FNPF, the FNPF board has declared an 8 percent interest payout to its members for the financial year ending 30 June 2024.
- Amendment to the FNPF Act is announced to bring back the tripartite spirit in the board composition of FNPF which will require to have an employer representative and an employee representative in the Board of FNPF to ensure that the employees and the employers will have a greater say in the governance and strategic affairs of FNPF.

FNPF Pensioners

- To bring a permanent closure to 2011 pensioners issue, all pensioners that reluctantly opted in 2011 for a reduced pension rate, will have their pension restored effective from 1st August 2024 and moving forward.
- The cost of reinstatement will be fully borne by the Government and will provide a funding of \$4 million for this year.
- The full cost is estimated to be around \$57 million over the next 2 decades.
- This payout is only for pensioners that opted to continue on a full pension but at reduced rates and excludes all those that chose to either fully or partially withdraw their funds. Also, as the pension rates are reinstated, the earlier arrangement to access the Government social pension scheme will cease from 1st August.

Financial Services Ombudsman

- Government prioritises consumer protection in the financial sector. Ensuring fair and efficient resolution of financial consumer concerns, especially for vulnerable groups, is crucial. To achieve this, a Financial Services Ombudsman will be established within the existing structure of the Reserve Bank of Fiji.
- In addition to its current role as a prudential regulator, the RBF also undertakes market conduct supervision and handles complaints of all nature against financial institutions. The existing complaints management function undertaken by the RBF will be maintained, but elevated to ensure the specific function is conducted by an appointed Ombudsman, which will be done soon.
- The elevated role would be expected to provide an accessible and impartial platform for dispute resolution, with a specific mandate to investigate, mediate, and deliver fair resolutions tailored to the unique challenges faced by consumers. This transition will be closely monitored, and if necessary, a separate institution or other changes may be considered in the future.

Social Protection/Welfare and Women

- In the 2024-2025 Budget, Government is again providing a total budget of around \$200 million to the Ministry of Women, Children and Social Protection to continue the increased social welfare allowances for around 104,000 beneficiaries under the family assistance scheme, social pension scheme, care and protection allowance, disability allowance, rural pregnant mother food allowance and transport assistance scheme.

Electricity subsidy, free water, free education and transport support

- Other social support, including the 50 percent electricity subsidy and free water for households below \$30,000 annual income will continue. A sum of \$10 million is provided for the electricity subsidy which supports around 55,000 households while the free water subsidy for around 40,000 households will be catered at a cost of around \$4 million.
- The Government is also providing \$66 million in the 2024-2025 Budget to support the provision of free education for early childhood care education, primary and secondary students. For the continuation of the transport assistance for about 90,000 students, allocation of \$37 million is made in this Budget.

BUDGET OVERVIEW (CONT'D)

Back to School Support

- Allocating \$40 million is continuing for the provision of the back to school support. It has been commented that \$200 back to school support for children from families with household income of less than \$50,000 initiative has worked very well to support thousands of families to prepare their children for school from Early Childhood Care and Education to Year 13.

Health and Medical Services

- Minister commented that in the last Budget, the largest increase was given to the Ministry of Health to address the deteriorating conditions of health facilities and improve health service delivery in the country. A total budget of over \$500 million was provided for the health sector, an increase of over \$100 million.
- In this Budget, a total of \$540 million to the health sector has been allocated – around \$450 million is provided to the Ministry of Health and \$90 million for the operations and running of the Ba and Lautoka hospitals under the PPP arrangement.
- The Minister commented that services in the Ba and Lautoka Hospitals are costing about \$10 million per month, or about \$120 million per year, consuming more than one-fifth of the entire national health budget.
- The Ministry of Health budget support hospitals and health centers, and it also cover administration, preventive health services, disease control and disaster preparation, health screening and many other things.

Education and skill development

- \$778 million is provided towards education and skill development, the largest allocation in this budget.
- Focus will also be on the outcomes to improve the quality of teaching and learning in schools by ensuring the best teachers, the right learning environment, the right curriculum, textbooks and other resources.
- The involvement of parents, communities, religious groups, development partners and other non-governmental organizations is also needed.

Roads and Public Works Department

- The Government will continue to invest heavily in infrastructure development to raise the standard of roads, bridges, jetties, utilities, and public buildings.
- The Ministry of Public Works has been allocated a sum of \$721.4 million, including the funding for the Water Authority and the Fiji Roads Authority.
- The Fiji Roads Authority is provided \$354.8 million for the on-going construction and maintenance of roads, upgrading and replacement of bridges and jetties and the upgrading of rural roads.
- Major national study is undertaken on urban traffic particularly traffic between Nadi and Lautoka, Lami, Suva and Nausori corridor in conjunction with development partners.

Water and WAF corporatization

- The Water Authority of Fiji is provided a total budget of \$259.4 million.
- Working with the Ministry of Infrastructure and the Department of Public Enterprises, the Ministry intends to take steps over the next six months towards the corporatisation of the Water Authority of Fiji.

Agriculture

- The Ministry of Agriculture is provided a total budget of \$101.2 million to boost the agricultural economy.
- Given the importance of non-sugar crops and to boost production, last year, a new initiative was introduced for weedicide and fertilizer subsidy to farmers for non-sugar crops which includes rice, dalo, ginger and cassava. In this budget, this is extended to other crops.

BUDGET OVERVIEW (CONT'D)

iTaukei Empowerment

- To empower indigenous community, an increased budget to the Ministry of iTaukei Affairs is provided amounting to \$39.4 million.
- New scheme is introduced to provide interest free loans to support development of our iTaukei resource owners and investments by provincial holding companies. The Fiji Development Bank and Merchant Finance have already partnered with the Government to provide loans with 3 years of interest subsidy paid by the Government. \$4 million is provided which can cater for almost \$60 million of interest free loans.

Ministry of Tourism and Civil Aviation

- The Ministry of Tourism and Civil Aviation is allocated a sum of \$68.8 million including the Tourism Fiji grant of \$44 million and \$13.6 million for the Fiji Tourism Development Program in Vanua Levu.
- To support and empower tourism MSMEs, a Pilot Tourism MSME fund that will provide assistance up to \$15,000 to rural communities to assist in creating an enabling environment for investment, decent employment and sustainable tourism activities.

Fijian Immigration

- Additional 20 new positions is provided to improve service delivery within the Fijian Immigration Department.
- A sum of \$2 million is allocated for Disaster Recovery Support and \$4 million is allocated for procurement of 100,000 blank passport booklets annually for the next 5 years.

National Development Plan

- The Minister announced that the new National Development Plan is ready. The NDP is the blueprint and guiding framework for which all of the Government's development priorities are set out in 3-year, 5-year and 20-year timeframes, short, medium and long-term, so that the Government can plan for the money, technical assistance, and organisation.
- The immediate focus in the new NDP will be to address critical day to day challenges like water, roads, drainage, hospitals, health services, housing and education. It will also focus on fighting drugs, HIV AIDS, NCDs, climate change, gender violence and promoting reconciliation and unity.
- Investment is needed in productive capacity, invest in skills and people and raise productivity. Fiji needs to empower its citizens and give them the right skills and resources to engage in income generating opportunities.
- Private sector needs to take the lead role in development and Government providing the enabling environment with the right infrastructure, policy certainty, ease of doing business, maintenance of the rule of law, independent state institutions and economic and political stability.

Quote - *"Economic growth without social progress lets the great majority of people remain in poverty, while a privileged few reap the benefits of rising abundance."*

- John. F Kennedy

MEDIUM TERM FISCAL FRAMEWORK

FY2023-2024 Fiscal Performance

- At the end of FY2023-2024, Government is anticipated to record a net deficit of around \$528.6 million, equivalent to -4.0 percent of GDP, lower than the budgeted net deficit of -4.8 percent and -7.1 percent net deficit achieved in FY 2022-2023. This is derived from estimated total revenues of \$3,577.6 million (27.2 percent of GDP), and total expenditures of \$4,106.2 million (31.2 percent of GDP).
- Compared to the previous financial year (FY2022-2023), total revised revenue estimates are higher by \$827.8 million or 30.1 percent, while total revised expenditure estimates are higher by \$517.0 million or 14.4 percent. In contrast, in comparison to the FY2023-2024 Budget, the revised expenditure estimates are lower by \$233.6 million or -5.4 percent.

Fiscal Performance for FY2023-2024

(\$M)	2022-2023 (Actual)	2022-2023 (Budget)	2023-2024 (Revised Estimate)
Revenue	2,749.8	3,700.7	3,577.6
as a % of GDP	23.1	27.9	27.2
Tax Revenue	2,285.0	3,107.7	3,035.9
Non Tax Revenue	464.8	593.1	541.7
Expenditure	3,589.2	4,339.9	4,106.2
as a % of GDP	30.2	32.7	31.2
Net Deficit	-839.4	-639.1	-528.6
as a % of GDP	-7.1	-4.8	-4.0
Debt	9,747.5	10,521.4	10,276.1
as a % of GDP	82.0	79.3	78.0
GDP at Market Prices	11,880.0	13,266.6	13,170.2

(Source: Ministry of Finance)

- Given the lower deficit of -4.0 percent of the GDP estimated for FY2023-2024, Government debt is now projected at 78.0 percent of GDP (\$10,276.1 million) compared to earlier forecast of 79.3 percent of GDP.

FY2024-2025 Budget

- For FY2024-2025, net deficit is budgeted at \$635.5 million or -4.5 percent of GDP. This is based on an estimated total revenue of \$3,916.7 million and total expenditure of \$4,552.2 million. The targeted fiscal deficit for FY2024-2025 will be financed by a combination of domestic and concessional external borrowing. Government debt is projected at 77.8 percent of GDP (\$10,911.6 million) by the end of July 2025.
- Tax revenue collections are projected at \$3,299.0 million for FY2024-2025, an increase of \$263.1 million (8.7 percent) compared to the revised FY2023-2024 estimate. The increase in tax revenue is largely driven by the broad-based economic growth, strengthening compliance as well as increase in departure tax rates, excise duties and water resource tax.

MEDIUM TERM FISCAL FRAMEWORK (CONT'D)

FY2024-2025 Budget (Cont'd)

- Non-tax revenues are estimated at \$617.7 million in FY2024-2025, an increase of \$76.0 million or 14.0 percent compared to FY2023-2024. Government is expected to receive around \$178.6 million in cash grants and around \$162.3 million in dividends from State Owned Enterprises (SOEs) and profits from the RBF in FY2024-2025. Additional revenues of \$50.0 million in reimbursement and recoveries from various existing trust fund accounts is also expected to be received by Government.
- Total Government expenditure for FY2024-2025 is budgeted at \$4,552.2 million, around \$446.0 million or 10.9 percent higher than the revised estimate for FY2023- 2024. The increase in total expenditure accounts for increases in both current and capital expenditure, including increased funding for social protection, education, health and infrastructure. The operating capital mix for the 2024-2025 Budget stands at 73:27. Further expenditure details are provided in the 2024-2025 Budget Estimates.
- Table below outlines the fiscal framework for FY2024-2025. The projected total gross deficit, which is the sum of the net deficit and principal debt repayments, is around \$984.6 million. The gross deficit will be financed through domestic market and external borrowings from multilateral and bilateral development partners. The financing details are provided in the 2024-2025 Budget Estimates

Fiscal Framework FY2024-2025

Particulars	FJ \$m
Revenue	3,916.7
As a % of GDP	27.9
Tax Revenue	3,299.0
Non-Tax Revenue	617.7
Expenditure	4,552.2
As a % of GDP	32.5
Net Deficit	-635.5
As a % of GDP	-4.5
Gross Deficit	-984.6
Debt	10,911.6
As a % of GDP	77.8
GDP at Market Prices	14,022.8

(Source: Ministry of Finance)

Quote - "The worst sort of business is one that grows rapidly, requires significant capital to engender the growth, and then earns little or no money."

- Warren Buffett

MEDIUM TERM FISCAL STRATEGY

Medium-Term Fiscal Framework

The Medium-Term Fiscal Framework (MTFF) provides the broad revenue, expenditure, deficit, and debt targets for the medium term.

With expected revenue collections of \$3,916.7 million and expenditure level of \$4,552.2 million, Government is projected to achieve a net deficit target of \$635.5 million, equivalent to net deficit of 4.5 percent of GDP in the FY2024-2025. Government debt will fall to 77.8 percent of GDP from 78.0 percent of GDP anticipated for FY2023-2024.

The table below provides the fiscal framework for the FY2024-2025 Budget and the medium-term.

Medium Term Fiscal Targets

(\$M)	2023-2024 (Revised)	2024-2025 (Budget)	2025-2026 (Budget)	2026-2027 (Budget)
Revenue (\$M)	3,577.6	3,916.7	4,095.9	4,214.5
as a % of GDP	27.2	27.9	27.8	27.2
Tax Revenue	3,035.9	3,299.0	3,469.9	3,644.9
Non Tax Revenue	541.7	617.7	626.0	569.5
Expenditure (\$M)	4,106.2	4,552.2	4,648.1	4,758.7
as a % of GDP	31.2	32.5	31.5	30.7
Net Deficit (\$M)	-528.6	-635.5	-552.2	-544.2
as a % of GDP	-4.0	-4.5	-3.7	-3.5
Debt (\$M)	10,276.1	10,911.6	11,463.8	12,008.0
as a % of GDP	78.0	77.8	77.7	77.6
GDP at Market Prices (\$M)	13,170.2	14,022.8	14,745.9	15,483.2

(Source: Ministry of Finance)

The net deficit for FY2025-2026 is \$552.2 million or 3.7 percent of GDP based on projected total revenues of \$4,095.9 million (27.8 percent of GDP) and total expenditure of \$4,648.1 million (31.5 percent of GDP). Accordingly, Government debt stock is estimated to be around \$11,463.8 million or 77.7 percent of GDP.

With a net financing requirement of less than \$600.0 million in the next fiscal year, deficit financing is not expected to be an issue given the appetite of local financial institutions such as FPNF and the availability of concessional financing from multilateral banks and development partners. Hence, in FY 2025-2026 and FY2026-2027, net deficit targets of \$552.2 million (-3.7 percent of GDP) and \$544.2 million (-3.5 percent of GDP) can be easily financed domestically.

Quote - "Public service means service to the public, not services the public has to put up with."
- John Major

MEDIUM TERM FISCAL STRATEGY (CONT'D)

Revenue Strategy

Government revenue is now projected to increase to around 27.0 percent of GDP in the medium term, similar to pre-COVID levels.

Since significant changes to taxes have been implemented, there is little opportunity for subsequent changes in tax rates in the near to medium-term.

The focus therefore will shift towards improving compliance through education and self-regulation, streamlining and reevaluating some of the tax exemptions and incentives and putting strategies to counter deliberate tax evasion and avoidance.

The following will be the guiding policy principles in the medium term:

- Widen the tax base by gradually removing exemptions and other distortions and bringing provisions in place to collect revenues from e-commerce transactions;
- Improve tax compliance and collection of tax arrears;
- Make the tax regime and tax administration even simpler to encourage tax compliance;
- Review the VAT regime to move towards a single rate when the time is appropriate, including expenditure strategies to support the vulnerable;
- Review the Export Income Deduction incentive with a view to remove Fiji out of the EU blacklist; and
- Review non-tax revenues on a cost recovery basis while also ensuring that the vulnerable and disadvantaged are protected.

Expenditure Strategy

The expenditure policy outlined in this MTFs aims to maintain a level of spending that can be financed at a reasonable cost, considering prevailing economic conditions and anticipated revenue.

In the medium term, operating expenditures must be capped, service delivery to be improved through increasing efficiency, reducing unproductive spending, reviewing/reducing transfers to extra budgetary units, streamlining operations and at the same time prioritizing high impact capital projects. In view of this, total expenditure in the medium-term is reduced to below 30 percent of GDP with operating to capital mix of at least 70:30.

Government's expenditure plans will be guided by these strategies:

- Increase the efficiency of public expenditure to control the growth of expenses at sustainable levels;
- Undertake a holistic review to right-size the civil service and contain the public sector wage bill;
- Tighten control on operational expenditures, including travel, communications, trainings, workshops, fuel & maintenance and purchase of supplies with KPIs of agency heads and Permanent Secretaries linked to these targets;
- Restructure the social protection framework to prioritize the most vulnerable segments of society, and reforming existing subsidy mechanisms;
- Conduct proper investment appraisal and project selection for all new capital projects and strictly adhering to the Public Sector Investment Programme guidelines;
- Resources must be allocated based on a multi-year perspective and the implementation capacity of agencies, considering the need to meet competing expenditure demands;
- Major existing programmes to be reviewed and Government should ensure that all financial resources allocated are used prudently to derive real value for money;
- All new initiatives to be rolled out in phases to manage costs and pilot testing should be done for the rollout of major initiatives;
- Encourage more private sector participation in public infrastructure projects and delivery of other public services through PPP and other innovative arrangements;
- Proper and effective monitoring of projects and budget utilisation through the Ministry of Finance; and
- Funding for ongoing programmes to be based on assessment of current and past performance and progressive achievement of planned outputs.

MEDIUM TERM FISCAL STRATEGY (CONT'D)

Debt Management Strategy

The broad objectives of Government debt strategy in the medium-term will remain as follows:

- Minimise the medium to long-term cost of Government debt within prudent levels of risk; and
- Support the development of a well-functioning domestic market for debt securities.

Government will focus on the following debt management policies to guide its borrowing in FY2024-2025 and onwards in order to achieve the above objectives:

- Continue to lower the cost of debt through concessional financing from development partners;
- Change the maturity profile through a gradual reduction in Treasury Bills and issuances of short and medium-term bonds (2-year to 5-year tenor);
- Continue issuances of long-term bonds (10-year to 20-year tenor) and introduce new maturity terms (above 20 year) to finance deficits;
- Develop the domestic bond market to focus more on transparency, secondary market trading, settlement mechanisms and investor diversification;
- Undertake liability management operations such as call-backs, bond buybacks and switch operations;
- Consider the embedded options available for external loans; and
- Undertake thorough analysis and assessment of Government agencies with lending and on lending arrangement and guarantees to minimise risks.

Quote - *"I love argument. I love debate. I don't expect anyone just to sit there and agree with me – that's not their job."*

- *Margaret Thatcher*

GOVERNMENT DEBT

- Section 59 of the Financial Management Act (FMA) 2004 provides legal framework for the Minister responsible for Finance to borrow money on behalf of the Government of Fiji. Under Section 59A of the FMA (Amendment Act) 2021 the Ministry of Finance is required to prepare the debt management strategy which sets out Government of Fiji's plan to source financing, manage associated costs and risks and pursue its objectives.
- Government with the assistance of ADB has developed and approved its Medium- Term Debt Management Strategy (MTDS) for the three fiscal years, FY2023-2024 to FY2025-2026. The MTDS is aligned with Government's medium-term fiscal framework with an overarching objective to manage financing, minimise the cost of debt within prudent levels of risk and to support the development of a well- functioning domestic market for debt securities. The MTDS will guide borrowing decisions for Government programs and capital infrastructure projects, while being mindful of the cost of debt and minimising risks embedded in the current debt portfolio.
- The projected total Government debt as of July 2024 is \$10,276.1 million, equivalent to 78.0 percent of GDP, of which \$6,593.2 million (64.2 percent) is domestic debt and \$3,682.9 million (35.8 percent) external debt. The table below shows Government's debt position from FY2019-2020 to FY2023-2024.

Total Government Debt (\$Million)

Particulars	July-20	July-21	July-22	July-23	July-24(f)
Domestic Debt	4,976.5	5,241.2	5,767.4	6,170.5	6,593.2
External Debt	1,709.5	2,422.5	3,364.1	3,577.0	3,682.9
Total Debt	6,686.0	7,663.7	9,131.5	9,747.5	10,276.1
Debt (as a % of GDP)	62.7	84.2	90.6	82.0	78.0
Domestic Debt to Total Debt (%)	74.4	68.4	63.2	63.3	64.2
External Debt to Total Debt (%)	25.6	31.6	36.8	36.7	35.8
Nominal GDP	10,660.7	9,098.8	10,082.4	11,880.0	13,170.2

(Source: Ministry of Finance)

Domestic Debt

- Domestic debt is projected to be around \$6,593.2 million, equivalent to 50.1 percent of GDP by the end of July 2024. This comprises \$6,314.2 million in domestic bonds and \$279.0 million in Treasury bills (T-Bills). Institutional investors like the Fiji National Provident Fund (FNPF), insurance companies, commercial banks and other non-bank financial institutions play an active role in the domestic capital market, which continues to be the primary source of Government financing.

Government's Domestic Debt (\$Million)

Particulars	Jul-20	Jul-21	Jul-22	Jul-23	Jul-24 (f)
Bonds	4,681.0	4,967.7	5,483.9	5,905.4	6,314.2
Treasury Bills	269.7	273.5	283.5	265.1	279.0
Loan	25.8	-	-	-	-
Total Domestic Debt	4,976.5	5,241.2	5,767.4	6,170.5	6,593.2
Domestic Debt to GDP (%)	46.7	57.6	57.2	51.9	50.1

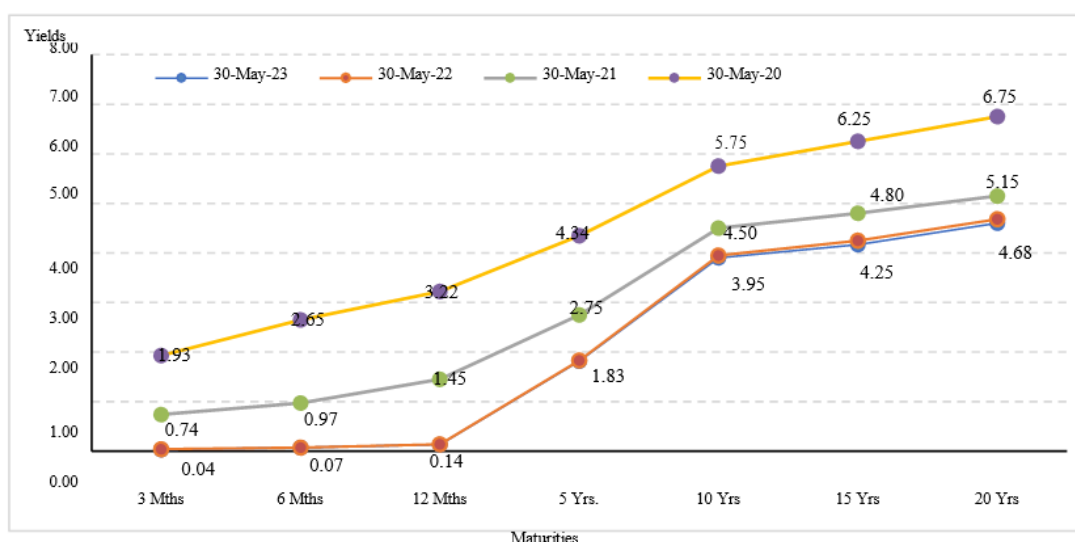
(Source: Ministry of Finance)

GOVERNMENT DEBT (CONT'D)

Domestic Interest Rate Structure

- Liquidity levels post COVID-19 was recorded at an all-time high exceeding the \$2.0 billion mark since January 2022 and remain at adequate levels until end of May 2024. This has pushed yields for Government debt instruments to historic lows resulting in slightly lower uptake of long-term Government securities. At the end of May 2024, liquidity stood at \$1.9 billion.
- As illustrated below, at the end of May 2024, the shorter end of the yield curve rose significantly by 7 basis points, 28 basis points and 80 basis points for the 3-months, 6-months and 12 months respectively, while the longer end of the yield curve (20-year) rose by 34 basis points. In addition, the market yields for 10-year remained unchanged, while the 15-year bonds fell by 2 basis points when compared to the same period last year.

Government Bond Yields



External Debt

- External debt stock is projected to increase to \$3,682.9 million by the end of July 2024, equivalent to 28.0 percent of GDP. The increase in external debt over the years is attributed to the concessional financing accessed by Government during and post COVID-19 periods.

Government External Debt (\$Million)

Particulars	Jul-20	Jul-21	Jul-22	Jul-23	Jul-24(f)
Loans	1,285.3	2,422.5	3,364.1	3,577.0	3,682.9
Global Bonds	424.2	-	-	-	-
Total External Debt	1,709.5	2,422.5	3,364.1	3,577.0	3,682.9
External Debt to GDP (%)	16.0	26.6	33.4	30.1	28.0

GOVERNMENT'S CASHFLOW

Government's Cashflow Statements

The table below provides Government's Cashflow Statements.

	2022-2023 (Actual)	2023-2024 (Revised)	2024-2025 (Budget)
Operating Receipts			
Direct Taxes	659.4	977.1	1,029.7
Indirect Taxes (excluding SEG 13 VAT)	1,586.4	1,975.7	2,152.3
- Value Added Tax	968.8	1,251.1	1,346.2
- Customs Taxes	471.7	553.4	569.6
- Service Turnover Tax	0.1	0.2	-
- Water Resource Tax	74.7	71.8	81.2
- Departure Tax	61.7	88.4	144.2
- Stamp Duty	0.2	0.1	-
- Telecommunication Levy	0.8	0.8	0.8
- Environment and Climate Adaptation Levy	8.3	9.9	10.2
Fees, Fines, Charges & Penalties	161.7	164.0	169.4
Grants in Aid	167.0	191.6	178.6
Dividends from Investments	80.2	126.7	162.3
Reimbursement & Recoveries	12.9	11.4	61.1
Other Revenue & Surpluses	40.1	37.8	39.2
Total Operating Receipts	2,707.6	3,484.3	3,792.6
Operating Payments			
Personnel	963.9	1,032.4	1,188.3
Transfer Payments	678.4	863.0	932.0
Supplies and Consumables	300.1	324.1	367.9
Purchase of Outputs	166.0	233.5	203.9
Interest Paid	456.3	529.4	540.0
Other Operating Payments	1.7	1.7	3.7
Total Operating Payments	2,566.4	2,984.1	3,235.7
Net Cashflows from Operating Activities	141.2	500.3	556.9
As % of GDP	1.2%	3.8%	4.0%

(Source: Ministry of Finance)

GOVERNMENT'S CASHFLOW (CONT'D)

Government's Cashflow Statements (Cont'd)

	2022-2023 (Actual)	2023-2024 (Revised)	2024-2025 (Budget)
Investing Receipts			
Sale of Government Assets	1.4	7.9	1.2
Interest from Bank Balance	0.5	1.5	1.8
Interest on Term Loans and Advances	0.9	0.8	4.0
Return of Surplus Capital from Investment	0.1	-	-
Total Investing Receipts	3.0	10.1	7.0
Investing Payments			
Transfer Payments	879.2	866.5	963.4
Purchase of Physical Non-Current Assets	104.4	172.5	236.0
Total Investing Payments	983.7	1,039.0	1,199.4
Net Cashflows from Investing Activities	(980.7)	(1,028.9)	(1,192.4)
As % of GDP	-8.3%	-7.8%	-8.5%
Net (Deficit)/Surplus	(839.4)	(528.6)	(635.5)
As % of GDP	-7.1%	-4.0%	-4.5%

(Source: Ministry of Finance)

Quote - *"Any woman who understands the problems of running a home will be nearer to understanding the problems of running a country."*

- Margaret Thatcher

INVESTMENT FACILITATION

Investment Facilitation

- Government is committed to fostering a thriving private sector characterized by sustainable investment, innovation, and job creation. Both domestic and foreign investments, are seen as catalysts for bringing in capital, technology, and expertise, enabling diversification into new industries and facilitating the integration of local companies into global value chains, among other advantages.
- Government is dedicated to enhancing Fiji's appeal as a prime investment location for both domestic and international investors. This commitment involves further streamlining the investment process, eliminating obstacles, and promoting cooperation between investors and pertinent Government bodies to ensure the seamless and timely execution of investment initiatives.

Investment Outlook

- Government is focused on having a dynamic private sector that invests, innovates and creates jobs. Investments, especially domestic and foreign direct investments (DDI and FDI), can facilitate the entry of capital, technology and know-how and diversification into new sectors and activities, and foster the integration of domestic firms into global value chains, among other benefits. To reap the maximum benefits out of the DDI and FDI and to foster a positive image of Fiji as a profitable investment destination, it is important to ensure that investment facilitation is given the highest priority by the Government. In order to achieve this goal, an Investment Facilitation Committee (IFC) was formed to serve as a platform for both new investors and established businesses to address recurring or unresolved issues that impede investment and business activities in Fiji. The goal is to implement regulatory reforms fostering investment growth and enhancing the overall business environment in Fiji.
- The Investment Facilitation Committee is chaired by the Deputy Prime Minister and Minister for Trade, Co-operatives, Small and Medium Enterprises and Communications and comprise the following members:
 - i. Deputy Prime Minister and Minister for Finance, Strategic Planning, National Planning and Development;
 - ii. Deputy Prime Minister and Minister for Tourism and Civil Aviation;
 - iii. Minister for Environment;
 - iv. Attorney General;
 - v. Minister for iTaukei Affairs;
 - vi. Minister for Lands and Mineral Resources;
 - vii. Minister for Local Government and Housing; and
 - viii. Minister for Home Affairs.
- Investment Fiji is currently facilitating 88 major projects with a proposed investment value of \$4.98 billion which are expected to commence trading over the next few years. Thirty-nine projects with a total value of \$1.22 billion is in the construction phase and is expected to commence trading over the next three years. An additional 22 projects with a combined value of \$1.47 billion are anticipated to start construction in the next few years.
- Additionally, the recent launch of the businessNOW portal formally known as "bizfiji" serves as Fiji's comprehensive platform for entrepreneurs and investors. The system makes it easier for investors to both lodge and track applications with various Government agencies.

Diversification of the Fijian Economy

- Investment Fiji chairs the newly established Commercial Agriculture Taskforce to support diversification and expansion. This taskforce is focused on generating new opportunities for potential investors and attracting investment into the agriculture sector for a sustainable growth of Fiji's economy.
- The Government recently approved the establishment of the medicinal cannabis industry following extensive consultations and careful deliberation. Investment Fiji is part of a Taskforce established in August 2023, mandated to oversee the feasibility of this industry and assess the laws required for this emerging market.

Quote - *"The Positive Thinker sees the Invisible, feels the Intangible, and achieves the Impossible."*
- Winston Churchill

DIRECT TAX MEASURES

Income Tax Act

Policy	Description										
1. Advance Tax Payment Rules	<ul style="list-style-type: none"> The payment of advance tax will be reverted to pre-pandemic rules. For companies, effective from tax year 2025, advance taxes will be paid in the sixth, ninth and twelfth months of the tax year. For other businesses, effective from the tax year 2025, advance taxes will be paid in April, August and November. 										
2. Accelerated Allowance for Depreciation on Buildings	<ul style="list-style-type: none"> The accelerated depreciation allowance will be reorganized to be claimed from the existing 100% in the first year to 20% per annum in the next 5 years. 										
3. Depreciation Schedule	<ul style="list-style-type: none"> The depreciation rates will be extended to include specialized assets such as dams and other assets specific to electricity generation. 										
4. Transfer of Benefits for Reorganization	<ul style="list-style-type: none"> The tax losses incurred under the accelerated depreciation incentive can now be transferred under the reorganization provision provided that the same asset qualifies for the transfer. 										
5. Incentive for 2031 Pacific Games Bid	<ul style="list-style-type: none"> A 200% tax deduction will be available for any donations made above \$10,000 to support Fiji's bid in hosting the 2031 Pacific Games. 										
6. National Rugby League (NRL) Bid Incentive	<ul style="list-style-type: none"> Rugby League Bid (Fiji) Pte Ltd is bidding for a place in the NRL competition and to support the bid, a 200% tax deduction will be available for sponsorship over \$250,000 to Rugby League Bid (Fiji) Pte Ltd. A 13-year tax holiday and duty concession will also be available to Rugby League Bid (Fiji) Pte Ltd, similar to the Fijian Drua incentive once the bid is successful. 										
7. Business Losses	<ul style="list-style-type: none"> The provision introduced during the COVID-19 pandemic which allowed for the offset of business losses of up to \$20,000 against employment income will be reversed. This will be effective for tax year 2024. 										
8. Fringe Benefits Tax (FBT) – Value per Quarter for Motor Vehicles	<ul style="list-style-type: none"> The FBT value per quarter will be amended to the following new rates as summarized below: <table border="1" data-bbox="635 1395 1437 1606"> <thead> <tr> <th>Threshold (Engine Capacity)</th> <th>New Rates</th> </tr> </thead> <tbody> <tr> <td>Less than 1,800cc</td> <td>\$2,000</td> </tr> <tr> <td>1,800cc to 2,000cc</td> <td>\$3,000</td> </tr> <tr> <td>Above 2,000cc</td> <td>\$4,000</td> </tr> <tr> <td>Irrespective of the engine capacity, if the cost of the vehicle exceeds \$100,000</td> <td>\$5,000 plus 4% of the excess of the cost above \$100,000</td> </tr> </tbody> </table> This will be effective from 1 January 2025. 	Threshold (Engine Capacity)	New Rates	Less than 1,800cc	\$2,000	1,800cc to 2,000cc	\$3,000	Above 2,000cc	\$4,000	Irrespective of the engine capacity, if the cost of the vehicle exceeds \$100,000	\$5,000 plus 4% of the excess of the cost above \$100,000
Threshold (Engine Capacity)	New Rates										
Less than 1,800cc	\$2,000										
1,800cc to 2,000cc	\$3,000										
Above 2,000cc	\$4,000										
Irrespective of the engine capacity, if the cost of the vehicle exceeds \$100,000	\$5,000 plus 4% of the excess of the cost above \$100,000										
9. Fringe Benefits Tax (FBT) – Value per Quarter for Electric Vehicles	<ul style="list-style-type: none"> The FBT value per quarter table will be extended to electric vehicles as summarized below: <table border="1" data-bbox="635 1787 1437 1968"> <thead> <tr> <th>Threshold (Cost)</th> <th>New Rates</th> </tr> </thead> <tbody> <tr> <td>Less than \$20,000</td> <td>\$2,000</td> </tr> <tr> <td>\$20,000 to \$40,000</td> <td>\$3,000</td> </tr> <tr> <td>\$40,000 to \$60,000</td> <td>\$4,000</td> </tr> <tr> <td>Above \$60,000</td> <td>\$5,000 plus 4% of the excess of the cost above \$60,000</td> </tr> </tbody> </table> This will be effective from 1 January 2025. 	Threshold (Cost)	New Rates	Less than \$20,000	\$2,000	\$20,000 to \$40,000	\$3,000	\$40,000 to \$60,000	\$4,000	Above \$60,000	\$5,000 plus 4% of the excess of the cost above \$60,000
Threshold (Cost)	New Rates										
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Above \$60,000	\$5,000 plus 4% of the excess of the cost above \$60,000										

DIRECT TAX MEASURES (CONT'D)

Income Tax Act (Cont'd)

Policy	Description								
10. Exemptions for Nonprofit Organizations	<ul style="list-style-type: none"> To ensure fairness in the application of taxation, along with 'business income', 'property income' derived by nonprofit organizations will now be subject to income tax. 								
11. Clarity on the Incentive Applications	<ul style="list-style-type: none"> The requirement to obtain a provisional approval will be clarified to state that the provisional approval must be obtained prior to the commencement of the construction of the project. 								
12. Project Definition Under the Tax-Free Region Incentive	<ul style="list-style-type: none"> The definition of "Project" will now be enhanced under the Tax-Free Region (TFR) Regulations. The new definition will ensure that a TFR license can only be granted to a new entity based at a single location in the TFR. 								
13. TFR Incentive – Existing Indigenous Companies.	<ul style="list-style-type: none"> The TFR incentive will be amended to allow existing i-Taukei companies to qualify for the TFR incentive for new investments above \$250,000. 								
14. TFR Incentive	<ul style="list-style-type: none"> The new Pacific Koro Business Park development in Kalabu, Valelevu will be declared as a TFR. 								
15. Information Communication Technology (ICT) Incentives	<ul style="list-style-type: none"> The ICT Incentive Regulations will be amended to include the requirement of obtaining a provisional approval and a final approval. Additionally, the ICT incentive qualifying criteria will be amended to comply with the European Union (EU) taxation standards. 								
16. Pandemic Reserve	<ul style="list-style-type: none"> With the World Health Organization declaring an end to the pandemic, the 150% tax deduction available for deposit(s) made to a pandemic reserve account will be removed. 								
17. Investment Allowance – Hotel Incentives	<ul style="list-style-type: none"> The investment allowance under the hotel incentives which was increased to 50% during the pandemic will be reverted to 25%. 								
18. Short Life Investment Package (SLIP) – Existing Companies	<ul style="list-style-type: none"> The 20-year tax holiday available to new hotels under SLIP will be extended to companies who acquire existing hotels & resorts and undertake extensions & refurbishments over \$50m. 								
19. Drug Rehabilitation Centre Incentive	<ul style="list-style-type: none"> A new incentive with tax holidays and import duty concessions will be available for companies setting up a specialized Drug Rehabilitation Centre. The tiers of tax holidays are as follows: <table border="1" data-bbox="635 1458 1437 1585"> <thead> <tr> <th>Capital Investment</th> <th>Tax Holiday Period</th> </tr> </thead> <tbody> <tr> <td>\$250,000 to \$1,000,000</td> <td>5 years</td> </tr> <tr> <td>\$1,000,001 to \$2,000,000</td> <td>7 years</td> </tr> <tr> <td>Over \$2,000,000</td> <td>13 years</td> </tr> </tbody> </table>	Capital Investment	Tax Holiday Period	\$250,000 to \$1,000,000	5 years	\$1,000,001 to \$2,000,000	7 years	Over \$2,000,000	13 years
Capital Investment	Tax Holiday Period								
\$250,000 to \$1,000,000	5 years								
\$1,000,001 to \$2,000,000	7 years								
Over \$2,000,000	13 years								
20. Elimination of Double Taxation for Fiji Citizens Working Abroad	<ul style="list-style-type: none"> The Exempt Income Tax Regulations will be amended to prevent double taxation for Fiji citizens employed by the Fiji Government working in countries that do not have double tax agreements with Fiji. 								
21. Employment Taxation Scheme	<ul style="list-style-type: none"> The 300% tax deduction available for wages or salaries paid for work placements, apprenticeship and part-time workers will be extended for another 12 months until 31 December 2025. The 400% tax deduction currently available for wages or salaries paid to persons with disability will also be extended until 31 December 2025. 								
22. Sub-Division of Land Incentive	<ul style="list-style-type: none"> The Sub-Division of Land Incentive will be extended by another 12 months until 31 July 2025. 								
23. Export Income Deduction	<ul style="list-style-type: none"> The Export Income Deduction incentive will be extended until tax year 2025. 								

DIRECT TAX MEASURES [CONT'D]

Tax Administration Act (TAA)

Policy	Description
1. VAT Evasion Penalty	<ul style="list-style-type: none">• To ensure VAT compliance, a 200% VAT evasion penalty will be introduced.• Previously, the VAT evasion penalty was 300% but was removed during the pandemic.
2. Forfeited Refunds	<ul style="list-style-type: none">• The forfeited refunds provision will be amended to allow for the offset of any new tax debt.
3. Offsetting of Refunds	<ul style="list-style-type: none">• Tax refund balances with FRCS cannot be used to offset against Water Resource Tax and Airport Departure Tax payables.
4. Detained Non-Perishable Goods	<ul style="list-style-type: none">• The 10 days for the seizure & detainment of non-perishable goods will be increased to 30 days.
5. Bulk Data Collection	<ul style="list-style-type: none">• FRCS will now be able to request bulk data for risk analysis.

Quote - "A budget tells us what we can't afford, but it doesn't keep us from buying it."
- William Feather

INDIRECT TAX MEASURES

Value Added Tax (VAT) Act

Policy	Description
1. Issuance of Tax Invoice for Transactions below \$10	<ul style="list-style-type: none"> The VAT Act will be amended to mandate the issuance of tax invoices for all transactions, irrespective of the transaction amount.
2. VAT Monitoring System (VMS)	<ul style="list-style-type: none"> The implementation of VMS was suspended for a few years following the rollout of phases 1 and 2. Effective from 1 August 2024, VMS will be reactivated, and businesses included in phases 1 and 2 that have not yet been implemented will be required to implement. The industry list for the rollout of phase 3 will be reviewed and the effective date will be announced with the new industry listing at a later date.
3. VAT Return Filing	<ul style="list-style-type: none"> The annual VAT filing option will be removed, and taxpayers will be transitioned to quarterly or monthly filing options. This will be effective from 1 January 2025.

Airport Departure Tax Act

Policy	Description
1. Airport Departure Tax	<ul style="list-style-type: none"> The Airport Departure Tax will increase to: <ul style="list-style-type: none"> \$170 effective from 1 August 2024; and \$200 effective from 1 August 2025. The 96-hour exemption period on transits will be reduced to 48 hours effective from 1 August 2024.

Fiji Revenue and Customs Service Act

Policy	Description
1. Information Sharing	<ul style="list-style-type: none"> The Information Sharing Regulation will be amended to allow sharing of information with the Outsource Fiji/BPO Council of Fiji.

Customs Tariff Act

Policy	Description
1. Prefabricated Buildings	<ul style="list-style-type: none"> The fiscal duty on the importation of prefabricated buildings will be reduced from 32% to 5%.
2. Motor Vehicle for the Members of Parliament	<ul style="list-style-type: none"> A new concession under code 201C will be available to exempt duty and Import VAT on the acquisition of one motor vehicle per member of parliament within their term.
3. Personal Imports Concession	<ul style="list-style-type: none"> The \$2,000 threshold for personal imports will be reduced to \$1,000. Import VAT will now be levied on all imports cleared under concession code 212. The exclusion list under this concession will now include e-cigarettes, vapes and vape refills.
4. Passenger Allowance	<ul style="list-style-type: none"> The passenger allowance for passengers disembarking in Fiji will be extended to include electronic cigarettes, vapes and vape refills not exceeding 200ml. The liquor allowance has increased from 2.25 liters to 3 liters.

INDIRECT TAX MEASURES (CONT'D)

Customs Tariff Act (Cont'd)

Policy	Description
5. Crew Allowance for International Scheduled Flights	<ul style="list-style-type: none"> The crew allowance will be applied to local airline crew only who depart for international scheduled flights.
6. Removal of the 3% Fiscal Duty for Approved Manufacturer/ Producer	<ul style="list-style-type: none"> The 3% fiscal duty applicable on raw materials, machinery, and packaging materials under concession codes 231, 231A, 231B, 236 and 236A will be removed.
7. New Concession Code 236C	<ul style="list-style-type: none"> A new concession code will be introduced to accommodate manufacturers processing alcoholic beverages through the mixing & blending process.
8. Manufacturers and Producers Concession	<ul style="list-style-type: none"> To provide clarity, the conditions for concession code 236 will be amended to include the requirement of a substantial transformation process.
9. Yachting Period	<ul style="list-style-type: none"> The tourist vessel/yacht cruising period which was increased to 54 months during the pandemic to assist the yachties will be reduced to 24 months under concession code 228.
10. Import of Ships, Boats & Floating Structures	<ul style="list-style-type: none"> A 5% fiscal duty will be levied on imports of ships, boats and floating structures under Chapter 89. The 32% fiscal duty on other boats (HS Code 8903.99.90) manufactured locally will be maintained.
11. Goods Imported for Disabled Persons	<ul style="list-style-type: none"> Hospital beds will be exempt from fiscal duty and import VAT.
12. Mining Industry or Mining Exploration	<ul style="list-style-type: none"> To provide additional support to the mining industry, concession code 252 will be amended to include "any other relevant goods" along with the existing list of concessions available to the industry.

Excise Act

Policy	Description
1. Excise Duty	<ul style="list-style-type: none"> The domestic excise duty on the production of alcohol & tobacco will be increased by 5%. A corresponding increase to the import excise on the above products will also be imposed.
2. Electronic Copies of Warehouse Documents	<ul style="list-style-type: none"> The Excise Act will be amended to include the storage of electronic copies of documents by the excise manufacturers.
3. Duty Accounting Period for Manufacturers of Excise Products	<ul style="list-style-type: none"> For ease of business administration, an additional option of monthly filing of returns and payments will be available to excise manufacturers who are involved in the manufacturing of sweet biscuits, snack food and sugar confectionaries.
4. Penalty Provisions – Warehousing of Excisable Goods	<ul style="list-style-type: none"> A late payment penalty of \$115 will be applicable if excise duty is not paid within 3 working days of lodgment.
5. Penalty Provisions – Duty Accounting Period.	<ul style="list-style-type: none"> A late payment penalty of 5% will be applicable on the unpaid excise duty. A further 2% penalty will be applicable for each month of default.

INDIRECT TAX MEASURES (CONT'D)

Water Resource Tax Act

Policy	Description
1. Increase in the Water Resource Tax Rate	<ul style="list-style-type: none"> The water resource tax rate for extraction below 10 million liters per month will increase from 1 cent per liter to 5 cents per liter.

Customs Act / Regulation

Policy	Description
1. Customs Objection Period	<ul style="list-style-type: none"> The customs objection decision timelines will be increased from 20 working days to 90 consecutive days with an additional 90 consecutive days subject to the submission of additional information.
2. Fiscal Duty Deferral for the Importation of Yachts	<ul style="list-style-type: none"> The time to pay arrangement for the payment of duty for yacht imports above \$2m will be removed.
3. Sugar Exports	<ul style="list-style-type: none"> The 3% export duty on sugar will be removed. The requirement to obtain a permit for the export of sugar will also be removed.
4. Definitions under the Customs Act	<ul style="list-style-type: none"> To provide clarity, the following definition(s) will be amended: <ul style="list-style-type: none"> Manufacturer – A manufacturer is a person or company that produces finished goods from raw materials by using various tools, equipment, and processes, that transform materials into new products. Produce – means any tangible commodity extracted, cultivated or harvested from the land, underground, from the seas of Fiji, including from under the sea, from the seabed and beneath the seabed or other natural resources. Producer – means the owner or entity that yields or causes to yield a tangible commodity through extraction, cultivation, or harvesting from the land, from the seas of Fiji, or other natural sources. Mixing & Blending – The process of mixing and blending two or more local or imported products together to make the final product.
5. Electronic Signature	<ul style="list-style-type: none"> The Customs Act is amended to allow the use of electronic signatures in customs documents.
6. Penalty Provisions – Goods Delivered Under Special Circumstances	<ul style="list-style-type: none"> A penalty provision of \$115 will be applicable if the Single Administrative Documents (SADs) for goods delivered under special circumstances are not filed within 48 hours.
7. Penalty Provisions – Late Inward Manifest Registration	<ul style="list-style-type: none"> A penalty provision of \$115 per application will be imposed for the late submission of an airway bill or bill of lading.
8. Penalty Provisions for Petroleum Companies	<ul style="list-style-type: none"> A 5% penalty provision will be applicable for petroleum companies who fail to make payments by the specified dates under the regulations.
9. Overtime Provisions – Inspection of Aircraft	<ul style="list-style-type: none"> A new overtime fee of \$1,725 will be introduced for the inspection of private and unscheduled flights.
10. Overtime Provisions – Weekday/Weekend	<ul style="list-style-type: none"> The overtime rates for weekends and public holidays will be amended to \$50 per hour or a portion of an hour. The overtime rates for weekdays, but outside of the working hours will be amended to \$60 per hour or a portion of an hour.
11. Customs Prohibited Import Export Regulation (CPIER)	<ul style="list-style-type: none"> The list of goods that may be imported on conditions (Schedule 2, Item 14 (a)) is amended to include the exemption of 8 years age criteria for the imports of used or reconditioned motor vehicles for the purpose of medical, tourism and tourism investment projects national security & defense and mining.
12. Customs Prohibited Import Export Regulation (CPIER)	<ul style="list-style-type: none"> The list of imported goods, that are absolutely prohibited (Schedule 1, Item 7) is amended to extend the remaining shelf life on the importation of pasta, chips, noodles and biscuits from 3 months to 6 months.



We trust that you find this resume useful. If you would like to discuss any aspect of this Budget Brief, please do contact us.

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