

# REVISED 2021-2022 NATIONAL BUDGET



## 24 March 2022

The Attorney-General and Minister for Economy, Civil Service, Communications, Housing and Community Development, Hon. Aiyaz Sayed-Khaiyum, presented the Revised August 2021 - July 2022 National Budget on the evening of 24 March 2022.

This resume provides a brief outline of certain aspects of Fiji Government's Revised August 2021 - July 2022 National Budget and is based upon a quick analysis of the Budget Address and related documents.

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
- Major Initiatives and Expenditure
- Domestic Outlook
- Monetary Policy and Support To The Fijian Economy
- Government Debt
- Direct Tax Measures
  - Income Tax 2015
  - Tax Administration Act 2009
- Indirect Tax Measures
  - Value Added Tax Act 1991
  - Customs Tariff Act 1986 – Fiscal Duty and Import Excise Changes
  - Customs Act 1986
  - Airport Departure Tax Act 1986
  - Superyacht Charter Act 2010
  - Environment and Climate Adaptation Levy Act 2015
- Government Fiscal Position and Cash Flow

## ECONOMIC OUTLOOK AND OVERVIEW

Key Indicators of Economic Outlook are summarised below:

	Revised Budget Calendar Year 2022 Forecast	Initial Budget Calendar Year 2022 Forecast	July Budget Calendar Year 2021 Estimate	Calendar Year 2020 Estimate	Calendar Year 2019 Provisional
Nominal gross domestic product – million dollars	10,845	10,303	9,508	9,921	11,874
Real gross domestic product – million dollars	9,680	9,172	8,697	9,067	10,686
GDP growth / - contraction – real %	11.3	6.2	-4.1	-15.7	-0.4
Total exports – million dollars (excluding aircraft)	2,026	1,925	1,747	1,755	2,158
Total imports – million dollars (excluding aircraft)	4,637	4,099	4,071	3,738	5,074
Visitors' arrival – numbers	447,000	268,000	32,000	147,000	894,000
Tourism earnings - million dollars	998.2	486.6	36.5	314.9	2,065.5
Sugar and molasses exports – million dollars	103.5	97.1	74.4	101.6	99.4
Inflation - %	4.5	2.4	3.0	-2.8	-0.9

	Revised Budget Fiscal Year 2021-2022 (Revised Budget)	Initial Budget Fiscal Year 2021-2022 (Budget)	Fiscal Year 2020-2021 (Actual)	Fiscal Year 2019-2020 (Actual)
<b>Total Revenue</b>	<b>2,253.1</b>	<b>2,085.1</b>	<b>2,143.0</b>	<b>2,716.7</b>
<b>Total Expenditure</b>	<b>3,715.1</b>	<b>3,690.5</b>	<b>3,190.3</b>	<b>3,353.7</b>
<b>Net Deficit</b>	<b>(1,462.0)</b>	<b>(1,605.4)</b>	<b>(1,047.3)</b>	<b>(637.0)</b>
<b>Net Deficit as % of GDP</b>	<b>(14.2%)</b>	<b>(16.2%)</b>	<b>(10.8%)</b>	<b>(5.9%)</b>

(Source: Ministry of Economy)

*Quote - Do not save what is left after spending; instead spend what is left after saving.*  
- Warren Buffett

## MAJOR INITIATIVES AND EXPENDITURE

### Major Initiatives in the Revised Budget

#### Value Added Tax

- Effective from 1 April 2022, zero-rated VAT will apply on 21 basic consumer items to cushion the impact of higher global prices on Fijian consumers. Government expects to lose around \$163 million in tax revenues from zero-rating these goods.
- To recoup these lost revenues from the zero rating of VAT, effective from 1 April 2022, a higher VAT rate of 15 percent will apply on a select list of goods and services.
- For prescribed services that previously attracted ECAL of 5 percent, this will no longer be applicable. Instead, the higher VAT rate of 15 percent will now apply to those prescribed services with turnover of above \$100,000.
- Full details are provided in Value Added Tax section.

#### Fuel Duty

- The 20 cents per litre fuel duty will be removed to offer much-needed relief to consumers and businesses.

#### National Minimum Wage

- Following a nationwide consultation process, the national minimum wage (NMW) rate will now be increased from \$2.68 to \$4.00 per hour in four tranches as follows:

Effective Date	NMW Rate Per Hour
1 <sup>st</sup> April 2022	\$3.01
1 <sup>st</sup> July 2022	\$3.34
1 <sup>st</sup> October 2022	\$3.67
1 <sup>st</sup> January 2023	\$4.00

#### Investment in Fijian Drua

- The establishment of the Fijian Drua and the business activity created by its participation in the Super Rugby Pacific competition will further support the development and commercialisation of the local sporting industry.
- To assist the Fiji Rugby Union (FRU) and the Fijian Drua in meeting the New Zealand Rugby Union's financing requirements for Super Rugby Pacific, Government will invest \$6 million for a 51 percent stake in Counter Ruck Pte. Limited (CRL), which owns and operates the Fijian Drua.

### Expenditure Support

#### Expanding Health Services through Private General Practitioners

- In June 2021, Government engaged the services of 14 General Practitioners (GPs) and one medical centre General Practitioner as part of a new scheme to improve the reach and quality of medical services to members of the public during the COVID-19 pandemic.
- Government is seeking to expand the list of general outpatient services and medical care that eligible patients have access to through the inclusion of additional services including Multi Urine Dipstick Test, Electrocardiogram (ECG), Nebulizer (for asthma medications), Oxygen supply, and Ultrasound scan.

## MAJOR INITIATIVES AND EXPENDITURE (CONT'D)

### Expanding Health Services through Private General Practitioners (Cont'd)

- Government will also engage GP's/practices that provide laboratory services for blood sample testing for Sugar, Complete Blood Count (CBC), Basic metabolic panel (basic electrolyte panel), Cholesterol (lipid profile), Glycated hemoglobin (Hemoglobin A1C), Liver function, and Renal function.
- Government is also engaging private dental practitioners (DPs) to improve the oral health of all Fijians, including school aged children, through government- funded access to private dental care. Services to be included under this initiative includes consultation/oral examination, extraction, temporary filling, and permanent filling.

### Public Utilities

- The Water Authority of Fiji (WAF) is provided a grant of \$195.2 million, of which \$80.7 million is for operating expenditure and \$114.5 million is for capital expenditure. WAF's operating budget has been increased by \$8.7 million to boost the provision of water and sewerage services.

### Roads

- The Fiji Roads Authority (FRA) has been allocated \$338.2 million in the FY2021-2022 Revised Budget, of which \$13.1 million is for operating expenditure and \$325.1 million is for capital expenditure. Of this, \$72.9 million is allocated for essential road maintenance, \$60.0 million to expand FRA's road renewal and rehabilitation programme, \$34.0 million for the upgrade and replacement of bridges, and \$14.5 million is allocated to the Rural Roads Programme.

### Education and Skill Development

- The Education sector is provided a total budget of \$661.6 million. This includes \$447.1 million to the Ministry of Education, Heritage and Arts, \$47.9 million to Higher Education Institutions and \$156.5 million for tertiary education funding. Government will continue to provide free education, bus fare assistance and other education-related initiatives.

### COVID-19 Restrictions

- From 25 March, wearing of masks will become optional, all venues may operate at full capacity. Social distancing requirements will no longer be enforced.

### Inbound Travellers

- From 7 April, 3 nights stay requirement upon entry into Fiji will be removed. Also, from 7 April, fully-vaccinated visitors, residents and citizens will only need to conduct a rapid antigen COVID-19 test within 24 hours of arrival at an approved testing facility.
- From 7 April, the Travel Partner System will be removed, and all visitors to Fiji will be allowed provided they are fully vaccinated and subject to rapid antigen COVID-19 test rules.

### Vaccine Pass

- Given the recent global surge in COVID cases and as part of future-proofing Fiji's COVID-19 response efforts, the Fijian Vaccine Pass (FVP) will be rolled out in the next few months. The first phase will be focused on citizens and permit holders who have been vaccinated in Fiji and who need to travel overseas.

The Fijian Vaccine Pass will be in both digital and paper format, and contain an individual's profile picture for easier identification.

## MAJOR INITIATIVES AND EXPENDITURE (CONT'D)

### Town Planning Act

- The Town Planning Act is proposed to be amended, particularly provisions around the notification and objection period. By way of amendment to the Town Planning Act, the Permanent Secretary responsible for town planning will approve block rezoning of those areas.

Through amendments to the Town Planning Act, General Provisions for Schemes and Areas, home-based businesses will be allowed to operate from residential areas without going through the rezoning process, provided they meet set conditions of operations that are in keeping with the residential nature of the area.

### Others

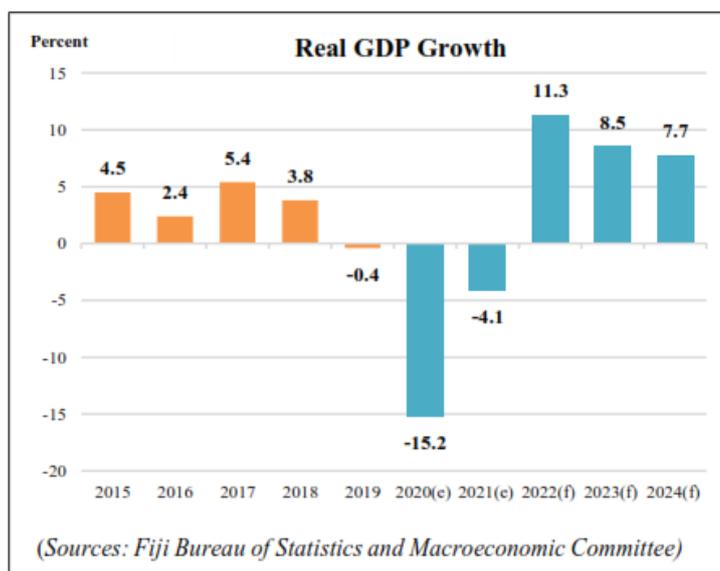
- The Government will soon launch a dedicated website that contains an Online Patient Information System to streamline the administration of PPP scheme and initiatives. Through this online platform, GPs will have access to patients seen under the PPP scheme.
- Marketing grant to Tourism Fiji will increase by \$893,000, to a total of \$20.9 million.

*Quote - We must consult our means rather than our wishes.*  
*- George Washington*

## DOMESTIC OUTLOOK

### GDP Growth

The Fijian economy is estimated to have declined by 15.2 percent in 2020, compared to 15.7 percent contraction expected earlier. The improvement is largely due to contributions from the Public Administration, Agriculture and Transport & Storage sectors.



As illustrated in the chart above, the domestic economy is estimated to have further contracted by 4.1 percent in 2021, following the spin-off impacts of the second wave of COVID-19 infections on the economy. The associated movement restrictions and extended closure of international tourism exacerbated the subdued aggregate demand and sectoral activity.

The tourism industry contributes an estimated 40 percent of GDP both directly and indirectly, thus Fiji's economic recovery is inexorably tied to the rebound in tourism. Visitor arrivals fell from a record-high of 894,389 in 2019 to 146,905 in 2020, then further to 31,618 in 2021. On a positive note, visitor arrivals tallied 27,516 over the two months ending February 2022. However, visitor arrivals are not projected to fully return to pre-pandemic levels until at least 2024.

After 3 consecutive years of decline, it is expected that the economy will rebound by 11.3 percent in 2022. Services-related sectors such as Accommodation & Food Services, Transport & Storage, Finance & Insurance, and Wholesale & Retail trade are expected to note a turnaround. The primary and industrial sectors are also anticipated to grow in line with the recovery in domestic demand and the labour market.

Despite the upward revision to the growth forecast, there remains downside risks to the medium-term outlook. Rising inflation (particularly for fuel), global supply chain bottlenecks, the risk of new variants, a slower-than-expected tourism recovery, investor caution in light of the upcoming General Elections and ongoing threats from natural disasters and climate change can easily undermine Fiji's economic recovery going forward.

The broad-based recovery is expected to continue into 2023 and 2024, with the economy envisaged to expand further by 8.5 percent and 7.7 percent, respectively.

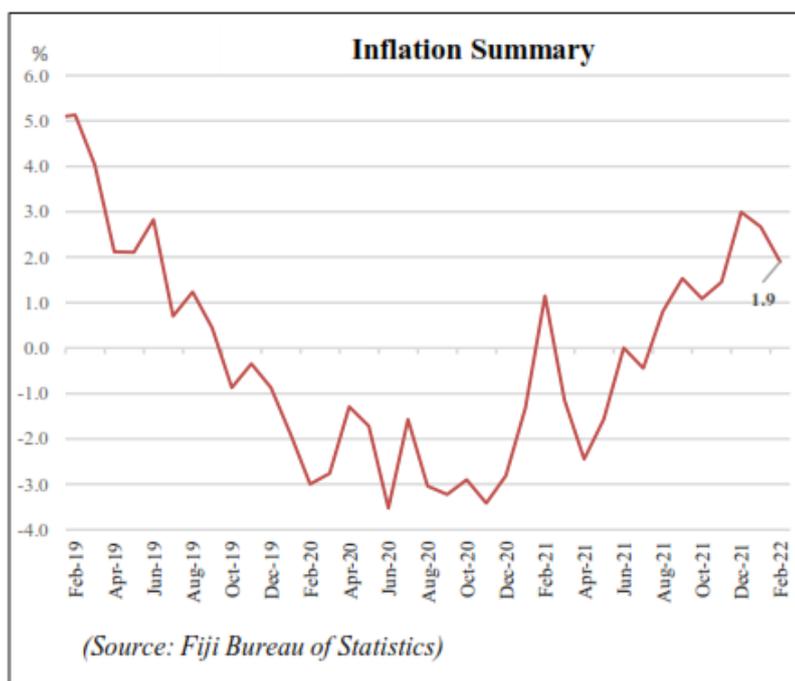
## DOMESTIC OUTLOOK (CONT'D)

### Inflation

The inflation rate noted a significant turnaround over the last seven months (August 2021 – February 2022) and averaged 1.8 percent, after remaining in negative territory for nearly two years, largely influenced by pandemic-induced supply shocks. These included movement restrictions and consequent labour shortages, higher food and fuel prices, higher freight costs and a mismatch between pent-up demand and inadequate supplies.

Annual inflation stood at 1.9 percent in February 2022 with increases noted in the food and non-alcoholic beverages, health and miscellaneous services categories, and decreases in the restaurants & hotels and transport categories. The year-end inflation rate stood at 3.0 percent in 2021 primarily driven by higher prices for food and fuel.

Over the next few months, domestic inflation is expected to rise as local fruit and vegetable prices increase due to floods associated with TC Cody. In addition, the geopolitical conflict between Russia and Ukraine poses further risks to inflation as Brent crude oil prices are trending above US\$100 per barrel. As a result, year-end inflation is now estimated at 4.5 percent, largely reflective of higher prices for food and fuel throughout 2022. In the medium-term, inflation is forecast to moderate to 3.0 percent and 2.6 percent by the end of 2023 and 2024, respectively.



### Foreign Reserves

As at 24 March, foreign reserves (RBF holdings) were around \$3,162.4 million, equivalent to cover 8.7 months of retained imports of goods and services.

### Money and Credit

Money supply registered an annual growth of 10.7 percent in January 2022, on account of higher gross reserves and quantitative easing measures. In the same period, private sector credit recorded an annual growth of 0.6 percent driven by increased lending to private sector business entities from the commercial banks and the Fiji Development Bank (FDB), a result of the higher drawdowns noted for RBF's lending facilities in January.

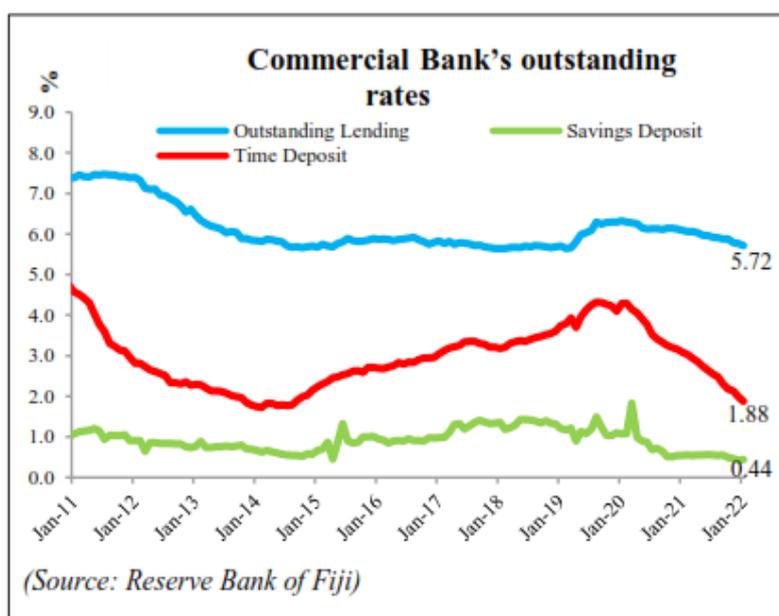
## DOMESTIC OUTLOOK (CONT'D)

### Interest Rates

The weighted average outstanding rates for banks have noted a general downward trend since the start of COVID-19.

The graph below shows the outstanding lending rate for commercial banks which stood at 5.72 percent in January 2022, representing an annual decline of 37 basis points. Similarly, the weighted average outstanding time deposit rate fell over the year by a significant 117 basis points to 1.92 percent from 3.09 percent in January 2021.

The weighted average savings deposit rate dipped further over the year (-10.0 basis points), registering 0.44 percent at the end of January 2022. Similar reductions have also been noted for yields on Government securities.



### Exchange Rates

Over the year in February 2022, the Fijian dollar (FJD) strengthened against the New Zealand dollar (4.1 percent), Australian dollar (3.6 percent), Euro (2.8 percent) and the Japanese Yen (2.1 percent) but was lower against the United States dollar (-5.8 percent).

In February 2022, the Nominal Effective Exchange Rate (NEER) index was lower over the year (-0.6 percent), indicating a general weakening of the FJD. Likewise, the Real Effective Exchange Rate (REER) index fell over the year (-2.5 percent), denoting a gain in trade competitiveness largely on account of lower relative prices against major trading partner currencies given their higher inflationary pressures.

## MONETARY POLICY AND SUPPORT TO THE FIJIAN ECONOMY

The RBF continued to support the economy via unconventional means, particularly through its targeted lending facilities and investment in Government bonds.

More specifically, the RBF expanded its balance sheet since the start of this financial year by \$950 million with increased allocations towards the Disaster Rehabilitation & Containment Facility (\$400 million), Import Substitution and Export Financing Facility (ISEFF) (\$200 million), and through additional investment in Government bonds (\$350 million). Moreover, the scope of eligible borrowers under the ISEFF was extended in December 2021 to cover businesses engaged in the export of services. These actions have provided adequate liquidity to the banking system, supported credit activity and placed downward pressure on interest rates.

From a macro-prudential perspective, supervisory assessments have shown that the financial system remains stable, supported by adequate capital positions, high banking system liquidity levels and sufficient provisioning. Moreover, the nascent recovery in the economy has significantly reduced the number of customers supported by loan moratoriums.

By year-end, banking system liquidity is expected to remain more than ample against the backdrop of Government's higher external loan drawdowns and the continued economic recovery.

As at 22 March, liquidity levels were around \$2,162.6 million. Given the excess liquidity and the current accommodative monetary policy stance, no upward pressure is anticipated on lending rates during the year.

*Quote - A budget is telling your money where to go instead of wondering where it went.*  
*- Dave Ramsey*

## GOVERNMENT DEBT

Government debt is forecast to reach \$9.1 billion, equivalent to 88.4 percent of GDP by end of July 2022. Domestic debt is forecast at \$5.8 billion (64 percent) and external debt is forecast at \$3.3 billion (36 percent).

Particulars	July 2018	July 2019	July 2020	July 2021	July 2022 Revised Forecast
Domestic Debt	3,763.0	4,278.5	4,976.5	5,241.2	5,825.7
External Debt	1,457.5	1,456.8	1,709.5	2,422.5	3,300.0
<b>Total Debt</b>	<b>5,220.5</b>	<b>5,735.2</b>	<b>6,686.0</b>	<b>7,663.7</b>	<b>9,125.7</b>
<b>Debt (as % of GDP)</b>	<b>46.0</b>	<b>49.3</b>	<b>65.5</b>	<b>79.8</b>	<b>88.6</b>
Domestic to Total Debt	72%	75%	74%	68%	64%
External to Total Debt	28%	25%	26%	32%	36%

(Source: Ministry of Economy)

On 18 March 2022, Government accessed Phase two of the COVID-19 Crisis Response Emergency Support Loan from JICA amounting to JPY10 billion (FJ\$176.8 million) at concessional terms, with a 15-year repayment period inclusive of a 4 -year grace period at 0.01 percent interest rate. The first phase of the program also amounted to JPY10 billion (FJ\$187.4 million) and was accessed in FY2020-2021. Subsequent to the Phase two drawdown, JICA is now the largest bilateral lender to Government.

Government is currently finalising policy-based loans with the ADB and the World Bank Group amounting to around US\$300 million. Financing will be subject to the completion of policy reform actions as agreed to with multilateral partners. The policy reforms broadly aim to promote private sector-led economic recovery, strengthen debt and Public Financial Management (PFM), enhance climate, disaster and social resilience, improve public policy for community resilience and increase the efficiency and adaptability of Fiji's social protection systems.

Overall, Government in the last two years has accessed over FJ\$900 million in highly concessional financing from development partners. This has significantly lowered the borrowing cost in the domestic market as liquidity levels in the banking system have increased.

Government is in the process of finalising its Liability Management Operations (LMO) Policy which maps out processes for conducting debt management operations such as bond call options, bond switches and buy backs. The principal functions of the LMO are to enhance market liquidity and mitigate refinancing risk consistent with the Medium-Term Debt Management Strategy (MTDS).

The risk indicators are summarized below.

		January 2020	January 2021	January 2022
Nominal debt as percentage of GDP		50.5	69.4	79.6
Cost of Debt	Weighted Av. IR (percent)	6.2	5.2	4.6
Refinancing risk	ATM (years)	8.1	9.6	10.8
Interest rate risk	ATR (years)	6.9	8.0	9.5
FX risk	FX debt (percent of total debt)	25.3	25.9	31.2

(Source: Ministry of Economy)

Government guaranteed debt stood at \$1.1 billion, equivalent to 10.9 percent of GDP at the end of January 2022. This represents a 4.7 percent increase over the quarter and an increase of 27.2 percent when compared to the same period last year, solely attributed to the utilisation of approved guaranteed facilities by Fiji Airways, FDB and Fiji Sugar Corporation Ltd (FSC).

## GOVERNMENT DEBT (CONT'D)

The conversion of Government loans to equity with entities such as FSC, Pacific Fishing Company Pte. Limited, Fiji Rice Limited, Food Processors (Fiji) Limited and Viti Corp Company Limited is still progressing, and the finalisation of this process should reduce the total outstanding lending fund portfolio. As at 31 January 2022, the total lending portfolio of Government amounts to \$815.7 million.

Overall, Government's broad debt policies are as follows:

- Set the debt to GDP ratio back on a downward trajectory;
- Lower the cost of debt through concessional financing from multilateral and bilateral partners;
- Maintain an optimal cost and maturity structure for Government's debt portfolio to ensure prudent liability management;
- Develop the domestic bond market to focus more on liquidity, transparency, secondary market trading, settlement mechanisms and investor diversification;
- Ensure consistent domestic market operations and provide clear investor guidance and market signaling for market development; and
- Minimise risks associated with on-lending and contingent liabilities.

*Quote - Budget is not for people who do not have enough money. It is for everyone who wants to ensure that their money is enough.*

- Rosette Mugidde Wamambe

## DIRECT TAX MEASURES

### Income Tax Act 2015

The taxation measures announced are effective 1 April 2022, unless stated otherwise.

Policy	Description																
1. Social Responsibility Tax (SRT) and Environment and Climate Adaptation Levy (ECAL)	<ul style="list-style-type: none"> <li>ECAL will be removed and the SRT rate will be increased by 5% for the computation of personal income tax. The tax burden will remain the same. The new SRT structure will be as follows: <table border="1"> <thead> <tr> <th>Chargeable Income</th> <th>Social Responsibility Tax Payable</th> </tr> </thead> <tbody> <tr> <td>\$270,001 – \$300,000</td> <td>18% of excess over \$270,000</td> </tr> <tr> <td>\$300,001 – \$350,000</td> <td>\$5,400 + 19% of excess over \$300,000</td> </tr> <tr> <td>\$350,001 – \$400,000</td> <td>\$14,900 + 20% of excess over \$350,000</td> </tr> <tr> <td>\$400,001 – \$450,000</td> <td>\$24,900 + 21% of excess over \$400,000</td> </tr> <tr> <td>\$450,001 – \$500,000</td> <td>\$35,400 + 22% of excess over \$450,000</td> </tr> <tr> <td>\$500,001 – \$1,000,000</td> <td>\$46,400 + 23% of excess over \$500,000</td> </tr> <tr> <td>\$1,000,000 +</td> <td>\$161,400 + 24% of excess over \$1,000,000</td> </tr> </tbody> </table> </li> </ul>	Chargeable Income	Social Responsibility Tax Payable	\$270,001 – \$300,000	18% of excess over \$270,000	\$300,001 – \$350,000	\$5,400 + 19% of excess over \$300,000	\$350,001 – \$400,000	\$14,900 + 20% of excess over \$350,000	\$400,001 – \$450,000	\$24,900 + 21% of excess over \$400,000	\$450,001 – \$500,000	\$35,400 + 22% of excess over \$450,000	\$500,001 – \$1,000,000	\$46,400 + 23% of excess over \$500,000	\$1,000,000 +	\$161,400 + 24% of excess over \$1,000,000
Chargeable Income	Social Responsibility Tax Payable																
\$270,001 – \$300,000	18% of excess over \$270,000																
\$300,001 – \$350,000	\$5,400 + 19% of excess over \$300,000																
\$350,001 – \$400,000	\$14,900 + 20% of excess over \$350,000																
\$400,001 – \$450,000	\$24,900 + 21% of excess over \$400,000																
\$450,001 – \$500,000	\$35,400 + 22% of excess over \$450,000																
\$500,001 – \$1,000,000	\$46,400 + 23% of excess over \$500,000																
\$1,000,000 +	\$161,400 + 24% of excess over \$1,000,000																
2. Hotel Investment Incentive	<ul style="list-style-type: none"> <li>In the FY2021-2022 Budget, the Short Life Investment Package (SLIP) was extended to renovations and refurbishments of existing hotels or resorts.</li> <li>The 5-year tax holiday for investments of more than \$2 million will be extended for an additional 12 months until 31 December 2023.</li> <li>The duty-free importation for all hotels and resorts will also be extended for an additional 12 months until 31 December 2023.</li> </ul>																
3. Film-making and Audio-visual Incentives	<ul style="list-style-type: none"> <li>The Income Tax (Film-making and Audio-visual Incentives) Regulations 2016 will be amended to make the following changes: <ul style="list-style-type: none"> <li>The film tax rebate will be decreased from 75% to 20% and will be based on the expenditure incurred in Fiji and paid to Fiji residents for goods and services.</li> <li>The maximum rebate payable per approved final certificate will not be more than \$4 million.</li> </ul> </li> </ul>																
4. Tax incentive for the Fijian Drua	<ul style="list-style-type: none"> <li>A 13-year tax holiday will be given to the Fijian Drua to assist in its development.</li> <li>Import duty exemption will also be available on the importation of items specifically used for the establishment of the High-Performance Unit for the Fijian Drua. The period of exemption will be available from 1 July 2022 to 30 June 2023.</li> </ul>																
5. Tax deduction for sponsorship	<ul style="list-style-type: none"> <li>A 200% tax deduction will be available for sponsorships of not less than \$250,000 made to the Fijian Drua.</li> </ul>																
6. Resident Interest Withholding Tax	<ul style="list-style-type: none"> <li>For ease of administration, resident interest withholding tax will be exempted on interest income of less than \$1,000.</li> </ul>																
7. Annual Tax Withholding Certificate	<ul style="list-style-type: none"> <li>The Income Tax (Withholding Tax) Regulations 2013 will be amended to allow financial institutions to issue annual tax withholding certificates through electronic means.</li> </ul>																
8. Debt forgiveness	<ul style="list-style-type: none"> <li>As the economy embarks on its recovery, this policy will be extended by an additional 12 months. The new extension period will be as follows: <ul style="list-style-type: none"> <li>Debt creation period will be extended from 31 December 2021 to 31 December 2022.</li> <li>Debt forgiveness period will be extended from 31 December 2022 to 31 December 2023.</li> </ul> </li> </ul>																

## DIRECT TAX MEASURES (CONT'D)

### Income Tax Act 2015 (Cont'd)

Policy	Description
9. Tax deduction for salaries and wages	<ul style="list-style-type: none"> <li>The 300% deduction allowed on salaries and wages paid to an employee quarantined and/or tested positive for COVID-19 will be extended from 31 December 2022 to 31 December 2023.</li> </ul>
10. Tax deduction for reduction of commercial rent	<ul style="list-style-type: none"> <li>The 200% tax deduction given to landlords for the amount of reduction of commercial rent will be extended until 31 July 2023.</li> </ul>
11. Subdivision of Land Incentive	<ul style="list-style-type: none"> <li>The incentive package for the subdivision of lots will be extended for an additional 24 months until 31 July 2024.</li> </ul>
12. Relief to State controlled entity from costs incurred in the acquisition of assets.	<ul style="list-style-type: none"> <li>Section 85 of the Income Tax Act 2015 will be amended to allow an exemption to any State-controlled entity that is in the business of generating, distributing and retailing electricity from costs related to any grant, subsidy, rebate, commission, or other assistance received or receivable by the person in respect of the acquisition of the asset. This will not be applied retrospectively.</li> </ul>
13. Tax deduction for maternity leave	<ul style="list-style-type: none"> <li>A 200% tax deduction will be allowed for salary and wages paid to staff on maternity leave.</li> </ul>
14. Plastic Bag Levy and ECAL	<ul style="list-style-type: none"> <li>The 50 cents ECAL on plastic bags will now be renamed as Plastic Bag Levy.</li> </ul>

### Tax Administration Act 2009

Policy	Description
1. Departure Prohibition Order	<ul style="list-style-type: none"> <li>Section 31 of the Tax Administration Act 2009 will be amended to remove the requirement for a Fiji Revenue and Customs Service Board member to co-sign a Departure Prohibition Order.</li> </ul>
2. Debt write-off	<ul style="list-style-type: none"> <li>Instruction 57C of the Finance Instructions 2010 will be amended to allow the Chief Executive Officer of the Fiji Revenue and Customs Service to write-off debts up to \$100,000 for a taxpayer.</li> </ul>

## INDIRECT TAX MEASURES

### Value Added Tax Act 1991

Policy	Description																																																																																								
1. VAT Added Tax (VAT)	<ul style="list-style-type: none"> <li>Effective from 1 April 2022, VAT on the following goods will be zero-rated: <table border="1"> <thead> <tr> <th>No.</th> <th>Zero Rated</th> </tr> </thead> <tbody> <tr><td>1.</td><td>Sugar</td></tr> <tr><td>2.</td><td>Flour</td></tr> <tr><td>3.</td><td>Rice</td></tr> <tr><td>4.</td><td>Canned fish</td></tr> <tr><td>5.</td><td>Cooking oil</td></tr> <tr><td>6.</td><td>Potato</td></tr> <tr><td>7.</td><td>Onion</td></tr> <tr><td>8.</td><td>Garlic</td></tr> <tr><td>9.</td><td>Baby milk</td></tr> <tr><td>10.</td><td>Powdered milk</td></tr> <tr><td>11.</td><td>Liquid milk</td></tr> <tr><td>12.</td><td>Dhal</td></tr> <tr><td>13.</td><td>Tea</td></tr> <tr><td>14.</td><td>Salt</td></tr> <tr><td>15.</td><td>Soap</td></tr> <tr><td>16.</td><td>Soap powder</td></tr> <tr><td>17.</td><td>Toilet Paper</td></tr> <tr><td>18.</td><td>Sanitary pads</td></tr> <tr><td>19.</td><td>Toothpaste</td></tr> <tr><td>20.</td><td>Kerosene</td></tr> <tr><td>21.</td><td>Cooking gas</td></tr> </tbody> </table> </li> <li>Effective from 1 April 2022, VAT will be increased to 15% on the following list of goods and services: <table border="1"> <thead> <tr> <th>No.</th> <th>15%</th> </tr> </thead> <tbody> <tr><td>1.</td><td>Air conditioners</td></tr> <tr><td>2.</td><td>Dishwashers</td></tr> <tr><td>3.</td><td>Dryers</td></tr> <tr><td>4.</td><td>Electric jugs</td></tr> <tr><td>5.</td><td>Electric lawn mowers</td></tr> <tr><td>6.</td><td>Electric and gas stoves</td></tr> <tr><td>7.</td><td>Hair dryers</td></tr> <tr><td>8.</td><td>Microwaves</td></tr> <tr><td>9.</td><td>Refrigerators and freezers</td></tr> <tr><td>10.</td><td>Mobile phones</td></tr> <tr><td>11.</td><td>Televisions</td></tr> <tr><td>12.</td><td>Toasters</td></tr> <tr><td>13.</td><td>Washing machines</td></tr> <tr><td>14.</td><td>Passenger motor vehicles</td></tr> <tr><td>15.</td><td>Alcohol and tobacco</td></tr> <tr><td>16.</td><td>Textile, clothing and footwear</td></tr> <tr><td>17.</td><td>Perfume, jewellery and watches</td></tr> <tr><td>18.</td><td>Electrical machinery and equipment</td></tr> <tr><td>19.</td><td>Stereo/sound systems</td></tr> <tr><td>20.</td><td>Professional, scientific and technical services including legal and accounting, management and consultancy, architectural and engineering, scientific research and development, advertisement and market research, veterinary activities and other professional, scientific and technical activities.</td></tr> <tr><td>21.</td><td>Environment and Climate Adaptation Levy prescribed services</td></tr> </tbody> </table> </li> <li>The 5% Environment and Climate Adaptation Levy previously applicable on prescribed services, white goods and passenger motor vehicles will be removed.</li> </ul>	No.	Zero Rated	1.	Sugar	2.	Flour	3.	Rice	4.	Canned fish	5.	Cooking oil	6.	Potato	7.	Onion	8.	Garlic	9.	Baby milk	10.	Powdered milk	11.	Liquid milk	12.	Dhal	13.	Tea	14.	Salt	15.	Soap	16.	Soap powder	17.	Toilet Paper	18.	Sanitary pads	19.	Toothpaste	20.	Kerosene	21.	Cooking gas	No.	15%	1.	Air conditioners	2.	Dishwashers	3.	Dryers	4.	Electric jugs	5.	Electric lawn mowers	6.	Electric and gas stoves	7.	Hair dryers	8.	Microwaves	9.	Refrigerators and freezers	10.	Mobile phones	11.	Televisions	12.	Toasters	13.	Washing machines	14.	Passenger motor vehicles	15.	Alcohol and tobacco	16.	Textile, clothing and footwear	17.	Perfume, jewellery and watches	18.	Electrical machinery and equipment	19.	Stereo/sound systems	20.	Professional, scientific and technical services including legal and accounting, management and consultancy, architectural and engineering, scientific research and development, advertisement and market research, veterinary activities and other professional, scientific and technical activities.	21.	Environment and Climate Adaptation Levy prescribed services
No.	Zero Rated																																																																																								
1.	Sugar																																																																																								
2.	Flour																																																																																								
3.	Rice																																																																																								
4.	Canned fish																																																																																								
5.	Cooking oil																																																																																								
6.	Potato																																																																																								
7.	Onion																																																																																								
8.	Garlic																																																																																								
9.	Baby milk																																																																																								
10.	Powdered milk																																																																																								
11.	Liquid milk																																																																																								
12.	Dhal																																																																																								
13.	Tea																																																																																								
14.	Salt																																																																																								
15.	Soap																																																																																								
16.	Soap powder																																																																																								
17.	Toilet Paper																																																																																								
18.	Sanitary pads																																																																																								
19.	Toothpaste																																																																																								
20.	Kerosene																																																																																								
21.	Cooking gas																																																																																								
No.	15%																																																																																								
1.	Air conditioners																																																																																								
2.	Dishwashers																																																																																								
3.	Dryers																																																																																								
4.	Electric jugs																																																																																								
5.	Electric lawn mowers																																																																																								
6.	Electric and gas stoves																																																																																								
7.	Hair dryers																																																																																								
8.	Microwaves																																																																																								
9.	Refrigerators and freezers																																																																																								
10.	Mobile phones																																																																																								
11.	Televisions																																																																																								
12.	Toasters																																																																																								
13.	Washing machines																																																																																								
14.	Passenger motor vehicles																																																																																								
15.	Alcohol and tobacco																																																																																								
16.	Textile, clothing and footwear																																																																																								
17.	Perfume, jewellery and watches																																																																																								
18.	Electrical machinery and equipment																																																																																								
19.	Stereo/sound systems																																																																																								
20.	Professional, scientific and technical services including legal and accounting, management and consultancy, architectural and engineering, scientific research and development, advertisement and market research, veterinary activities and other professional, scientific and technical activities.																																																																																								
21.	Environment and Climate Adaptation Levy prescribed services																																																																																								

## INDIRECT TAX MEASURES (CONT'D)

### Customs Tariff Act 1986 – Fiscal Duty and Import Excise Changes

The customs tariff measures are generally effective from 25 March 2022, unless legislated otherwise.

Policy	Description
1. Fuel	<ul style="list-style-type: none"> <li>The fiscal duty on the importation of diesel will be reduced from 40 cents to 20 cents per litre.</li> <li>The fiscal duty on the importation of petrol (benzene) will be reduced from 66 cents to 46 cents per litre.</li> </ul>
2. Passenger allowance for Gold Card Taxpayers	<ul style="list-style-type: none"> <li>Concession Code 218 will be amended to increase the allowance for accompanied luggage for Gold Card Taxpayers from \$2,000 to \$3,000.</li> </ul>
3. Companies involved in milling and processing of raw sugar	<ul style="list-style-type: none"> <li>Concession Code 243 will be extended to include companies involved in milling and processing of raw sugar.</li> <li>The duty concession will be available on the following:                             <ol style="list-style-type: none"> <li>Approved factory upgrade and maintenance materials</li> <li>Tramline &amp; spares</li> <li>Mill parts</li> <li>Laboratory glassware &amp; chemicals</li> <li>Sugar processing equipment</li> </ol> </li> </ul>
4. Zip-lock bags	<ul style="list-style-type: none"> <li>The fiscal duty on zip-lock bags will be reduced from 32% to 5% and the import excise will be reduced from 15% to 0%.</li> </ul>
5. Lunch boxes	<ul style="list-style-type: none"> <li>The fiscal duty on lunch boxes will be reduced from 32% to 5% and the import excise will be reduced from 15% to 0%.</li> <li>This will only be applicable to lunch boxes with a thickness of 1.88mm or more, and is not manufactured locally.</li> </ul>
6. Water bottles	<ul style="list-style-type: none"> <li>The fiscal duty on water bottles will be reduced from 32% to 5% and the import excise will be reduced from 15% to 0%.</li> </ul>
7. Wheelie bins	<ul style="list-style-type: none"> <li>The fiscal duty on wheelie bins will be reduced from 32% to 5% and the import excise will be reduced from 15% to 0%.</li> </ul>
8. Meat patties and nuggets	<ul style="list-style-type: none"> <li>The fiscal duty on meat patties and nuggets will be reduced from 32% to 5%.</li> </ul>

### Customs Act 1986

Policy	Description
1. Commercial Standard Administrative Document	<ul style="list-style-type: none"> <li>The requirement for a customs entry for commercial consignments below \$1,500 will be waived for the clothing and textile sector.</li> </ul>
2. Deferred payment for authorised economic operators	<ul style="list-style-type: none"> <li>The late payment penalty charged for failure to clear deferred duty by the due date will be reduced from the current 25% to 15% for authorized economic operators.</li> </ul>
3. Waiver of Euro 4 requirement on specialised vehicles	<ul style="list-style-type: none"> <li>The Euro 4 requirement will be waived on the importation of specialised vehicles used for mining and state-funded road projects.</li> </ul>

## INDIRECT TAX MEASURES (CONT'D)

### *Airport Departure Tax Act 1986*

Policy	Description
1. Increase in transit hours for departure tax exemption	<ul style="list-style-type: none"><li>The transit time for passengers for the departure tax exemption will be increased from 72 hours to 96 hours.</li></ul>

### *Superyacht Charter Act 2010*

Policy	Description
1. Superyacht Charter Fee and ECAL	<ul style="list-style-type: none"><li>The 5% ECAL on superyacht charters will be renamed as Superyacht Charter Fee.</li></ul>

### *Environment and Climate Adaptation Levy Act 2015*

Policy	Description
1. Environment and Climate Adaptation Levy	<ul style="list-style-type: none"><li>ECAL on prescribed services, personal income, white goods, motor vehicles, superyacht charter and plastics will be removed effective from 1 April 2022.</li></ul>

Quote - *My problem lies in reconciling my gross habits with my net income.*  
- Errol Flynn

## GOVERNMENT'S FISCAL POSITION AND CASHFLOW

### 2021-2022 Fiscal Framework

With total Government expenditure budgeted at around \$3,690.5 million in FY2021-2022 and revenues projected at \$2,085.1 million, the net deficit is set at around \$1,605.4 million or around 16.2 percent of GDP. Total gross financing, which is the sum of the net deficit and principal debt repayments, is around \$1.97 billion. The gross deficit will be financed through borrowings from multilateral and bilateral development partners, domestic market and cash holdings carried from this financial year.

Government has also lined up financing from a number of external bilateral and multilateral partners to finance the gross deficit. Apart from external funding sources, borrowing in the domestic market, Government cash holdings and planned quantitative easing measures by RBF will further supplement the overall gross financing needs.

The 2021-2022 budget framework and planned financing sources for the gross deficit is summarized below:

Particulars	FJ \$m
<b>Revenue</b>	<b>2,085.1</b>
Tax Revenue	1,597.6
Non-Tax Revenue	487.5
<b>Expenditure</b>	<b>3,690.5</b>
<b>Net Deficit</b>	<b>1,605.4</b>
Add Debt Repayments	367.8
<b>Gross Deficit</b>	<b>1,973.2</b>
<b>Financed by:</b>	
<b>World Bank</b>	349.1
<b>ADB</b>	327.9
<b>Bilateral</b>	327.9
<b>EIB</b>	15.7
<b>Direct Payments</b>	90.7
<b>Cash at Bank (Domestic)</b>	150.0
<b>Domestic Borrowing (bonds, T-bills)</b>	711.9
<b>Total Available Financing</b>	<b>1,973.2</b>

*Quote - They call it a budget so you don't budge from it.*

*- Mike Figgis*

## GOVERNMENT'S FISCAL POSITION AND CASHFLOW (CONT'D)

### Government's Cashflow Statements

The table below provides Government's revised Cashflow Statements for FY2020-2021 and FY2021-2022.

	2020-2021 (Actual)	2021-2022 (Budget)	2021-2022 (Revised Budget)
<b>Operating Receipts</b>			
Direct Taxes	466.2	457.2	481.3
Indirect Taxes (excluding SEG 13 VAT)	918.5	1,094.6	1,182.5
- VAT (excluding SEG 13 VAT)	415.2	498.2	588.7
- Customs Duties	399.8	459.4	473.8
- Service Turnover Tax	1.1	-	0.05
- Water Resource Tax	72.0	89.8	86.4
- Departure Tax	0.9	10.2	12.8
- Stamp Duty	7.9	-	0.1
- Fish Levy	-	-	-
- Telecommunication Levy	0.8	1.0	1.0
- Environment and Climate Adaptation Levy	20.8	35.9	19.7
Fees, Fines, Charges & Penalties	123.7	130.9	135.4
Grants in Aid	283.8	116.3	214.2
Dividends from Investments	51.3	48.0	58.7
Reimbursement & Recoveries	24.3	10.4	83.8
Other Revenue & Surpluses	28.6	24.8	28.0
<b>Total Operating Receipts</b>	<b>1,896.3</b>	<b>1,882.1</b>	<b>2,183.9</b>
<b>Operating Payments</b>			
Personnel	928.5	988.6	984.1
Transfer Payments	580.4	646.5	637.1
Supplies and Consumables	254.5	252.5	266.5
Purchase of Outputs	55.3	145.8	136.5
Interest	363.2	376.9	370.3
Other Operating Payments	7.1	13.2	8.2
<b>Total Operating Payments</b>	<b>2,189.0</b>	<b>2,423.5</b>	<b>2,402.7</b>
<b>Net Cashflows from Operating Activities</b>	<b>(292.6)</b>	<b>(541.4)</b>	<b>(218.8)</b>
<b>As % of GDP</b>	<b>-3.0%</b>	<b>-5.5%</b>	<b>-2.1%</b>

(Source: Ministry of Economy)

## GOVERNMENT'S FISCAL POSITION AND CASHFLOW (CONT'D)

### Government's Cashflow Statements (Cont'd)

	2020-2021 (Actual)	2021-2022 (Budget)	2021-2022 (Revised Budget)
<b>Investing Receipts</b>			
Sale of Government Assets	210.5	150.0	14.9
Interest from Bank Balance	2.1	1.5	1.2
Interest on term loans and advances	2.6	2.6	2.6
Return of Surplus Capital from Investment	3.5	3.0	3.9
Foreign Exchange Rate Gains	-	-	-
<b>Total Investing Receipts</b>	<b>218.7</b>	<b>157.2</b>	<b>22.6</b>
<b>Investing Payments</b>			
Transfer Payments	853.4	1,075.7	1,127.8
Purchase of Physical Non-Current Assets	120.0	145.5	137.9
<b>Total Investing Payments</b>	<b>973.3</b>	<b>1,221.2</b>	<b>1,265.7</b>
<b>Net Cashflows from Investing Activities</b>	<b>(754.7)</b>	<b>(1,064.1)</b>	<b>(1,243.1)</b>
<b>As % of GDP</b>	<b>-7.8%</b>	<b>-10.8%</b>	<b>-12.1%</b>
<b>Net (Deficit)/Surplus</b>	<b>(1,047.3)</b>	<b>(1,605.4)</b>	<b>(1,462.0)</b>
<b>As % of GDP</b>	<b>-10.8%</b>	<b>-16.2%</b>	<b>-14.2%</b>

(Source: Ministry of Economy)

(\$M)	2020-2021 (Actual)	2021-2022 (Budget)	2021-2022 (Revised Budget)
<b>Revenue</b>	<b>2,143.0</b>	<b>2,085.1</b>	<b>2,253.1</b>
as a % of GDP	22.1%	21.1%	21.9%
Tax Revenue	1,412.6	1,597.6	1,710.5
Non-Tax Revenue	730.4	487.5	542.6
<b>Expenditure</b>	<b>3,190.3</b>	<b>3,690.5</b>	<b>3,715.1</b>
as a % of GDP	32.9%	37.3%	36.1%
<b>Net Deficit</b>	<b>(1,047.3)</b>	<b>(1,605.4)</b>	<b>(1,462.0)</b>
as a % of GDP	-10.8%	-16.2%	-14.2%
Debt	7,663.7	9,061.4	9,125.7
as a % of GDP	79.0%	91.6%	88.6%
<b>GDP at Market Prices</b>	<b>9,695.5</b>	<b>9,889.2</b>	<b>10,302.6</b>

(Source: Ministry of Economy)

- Based on the projected total revenue of \$2,253.1 million and total expenditure of \$3,715.1 million, the net deficit stands at \$1,462.0 million for the FY 2021-2022 Revised Budget, equivalent to 14.2 percent of GDP. The projected total gross deficit, which is the sum of the net deficit and principal debt repayments, is around \$1,809.5 million. The gross deficit will be financed through both domestic and external borrowings from multilateral and bilateral development partners. The financing details are provided in the FY 2021-2022 Revised Budget Estimates.
- Public debts is projected to increase to \$9,125.7 million, equivalent to 88.6 percent of GDP. This is lower than the earlier projected debt to GDP ratio of 91.6 percent, due to are lower than earlier anticipated fiscal deficit. Moving forward, with the projected growth in the economy and the plan reduction in the fiscal deficit levels, the debt to GDP ratio is expected to fall below 80 percent in the next 2 to 3 fiscal years.



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

**Suva Office Contacts:**

Level 10, FNPF Place  
343 Victoria Parade  
GPO Box 855, Suva, Fiji

Telephone: [679] 331 4300  
Facsimile: [679] 330 1841

**Lautoka Office Contacts:**

125 Vitogo Parade  
PO Box 867, Lautoka, Fiji

Telephone: [679] 666 2722  
Facsimile: [679] 666 4266

**Suva Office**

**Contact Name**

**Email Address**

Nalin Patel	nalin.patel@bdofiji.com
Pradeep Patel	pradeep.patel@bdofiji.com
Wathsala Suraweera	wathsala.suraweera@bdofiji.com
Madhu Sudhan	madhu.sudhan@bdofiji.com
Manjeeta Ramji	manjeeta.ramji@bdofiji.com
Archana Chandra	archana.chandra@bdofiji.com
Kirti Prasad	kirti.prasad@bdofiji.com
Salvina Singh	salvina.singh@bdofiji.com
Nikita Khatri	nikita.khatri@bdofiji.com
Mrinallee Hari	mrinallee.hari@bdofiji.com
Riaxbrina Raj	riaxbrina.raj@bdofiji.com

**Lautoka Office**

**Contact Names**

**Email Address**

Kumar Patel	kumar.patel@bdofiji.com
Sazleen Saheb	ssaheb@bdofiji.com
Amrita Singh	asingh@bdofiji.com
Pritika Naidu	pnaidu@bdofiji.com

---

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact us to discuss these matters in the context of your particular circumstances. BDO Fiji, their partners and/or directors, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

BDO, Chartered Accountants, a Fiji Partnership, is a member firm of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms, which operates as separate legal entities.

Distinctively different - it's how we see you

**AUDIT • TAX • ADVISORY**