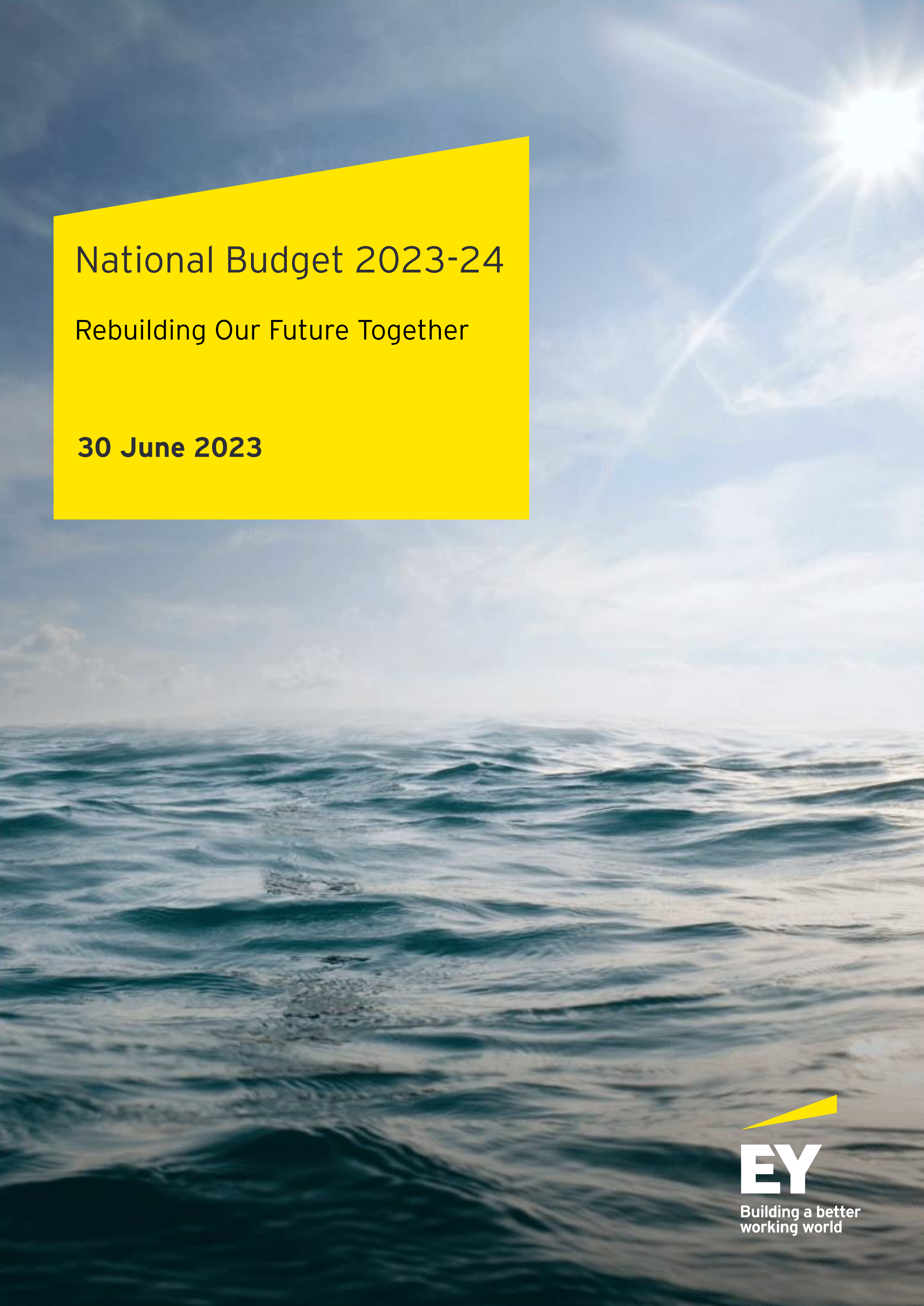
National Budget 2023-24

Rebuilding Our Future Together

30 June 2023



Building a better working world

“

Rebuilding our future together is the theme of the 2023-2024 National Budget and is designed to address the challenges facing the country creating a more conducive environment to reinvigorate private sector led growth.... and maintain overall macro-fiscal sustainability.

Introduction

The Honorable Professor Biman C Prasad in his capacity as the Deputy Prime Minister and Minister for Finance, Strategic Planning, National Development & Statistics delivered the Government national budget for the year 2023 - 24 (FY23/24) in Parliament on the 30th of June 2023.

This budget is presented in the midst of the post Covid-19 recovery momentum in the economy largely driven by the strong tourism recovery and overseas remittances coupled with a large build up of Government debt which is currently at 89% of GDP at the end of F21/F22. The domestic economy is predicted to grow 8% this year.

The F23/24 National Budget thrust is to simplify the tax regime via restructuring and streamline tax incentives to enhance investment. In this regard key changes are the change in the three-tier VAT rates to amended rates of 0% and 15% (an increase from 9% previously) as well the increase in corporate income tax from 20% to 25%. There are also increases in excise duties on alcohol/tobacco and sugar related products with reductions in duty on a range of food products.

Government revenue is forecast to increase to $3.7 billion as a result however expenditure is forecast at $4.3 billion yielding a deficit of $639 million or 4.8% of GDP. Government debt is forecast at 79% of GDP by the end of July 24. Interest is forecast at $529 million annually or 12% of total expenditure.

Through this Budget the Peoples Coalition Government seeks to lay a new foundation for the Fiji economy. From a business perspective there is an expectation that there is increased efficiency and less red tape to make it easier for business and its stakeholders to prosper. There is a definite need for a more focused digital economy that is production and skilled aligned.

Steve Pickering
Country Managing Partner
EY Fiji

Budget 2023-24 perspectives

Key measures:

Broadening the tax base and increasing revenue collections. Significant taxation reform and measures includes:

- Increase in net VAT collections of around $445.6 million from the increase of the VAT rate from 9 percent to 15 percent whilst maintaining zero-rated VAT on 21 basic items with the addition of prescribed medicines to the zero-rated list. The realignment of VAT rates will eliminate issues of ambiguity around application of VAT, unnecessary administrative issues for businesses, boost revenue collections and remove the risks of non-compliance.
- Increase in the corporate tax rate from 20 percent to 25 percent while for companies eligible for lower tax rate as part of SPX tax incentive, the tax rate will be increased from 10 percent to 15 percent.
- Increase in departure tax from $100 to $125 from 1 August 2023 and to $140 from 1 January 2024.
- Increase in excise duties on alcohol and tobacco products by 5 percent and an increase in excise tax of 5 cents per litre on carbonated/sugar-sweetened Beverages.
- Increase in the import excise duty by 5 percent for passenger motor vehicles (for both new and used vehicles) along with reductions in the fiscal duty for food products.
- Reduction of the Social Responsibility Tax by 5 percent effective from 1 January 2024 along with the simplification of the structure by merging with the PAYE structure.
- Increase in the water resource tax rate from 18 cents per litre to 19.5 cents per litre for every litre of water extracted exceeding 10,000,000 litres per month.

Government of Fiji Fiscal position

- In the FY2023-2024 (FY23/24) Budget, total expenditure is projected to be $4.3 billion. With a projected revenue of $3.7 billion, the fiscal deficit is set at $639 million, equivalent to 4.8 percent of GDP. This is a major reduction in the deficit. In the last four fiscal years the average deficit has been 9 percent.
- Debt levels are expected to reduce to 79.3 percent of GDP by July 2024. The Government announced that nearly 25% of the Budget this year will go towards servicing debt, both principal and interest.
- Fiji's financial sector is sound with a strong capital position. Liquidity levels are more than adequate to support investments sitting at almost $2.5 billion dollars. Remittances crossed the billion-dollar mark last year and are increasing further, likely to cross the $1.2 billion dollar mark by the end of this year.

Our views

Budget 2023-2024 aims to strike a balance between responsible fiscal management and spurring growth. It was unveiled against the backdrop of projected economic growth of 8.0% in FY2022-2023 and with an expected fiscal deficit of 6.2% in FY2022-2023, down from 11.9% in FY2021-2022.

Overall, the measures proposed in this Budget are cohesive, comprehensive and inclusive, and lay the foundation for a more sustainable future.

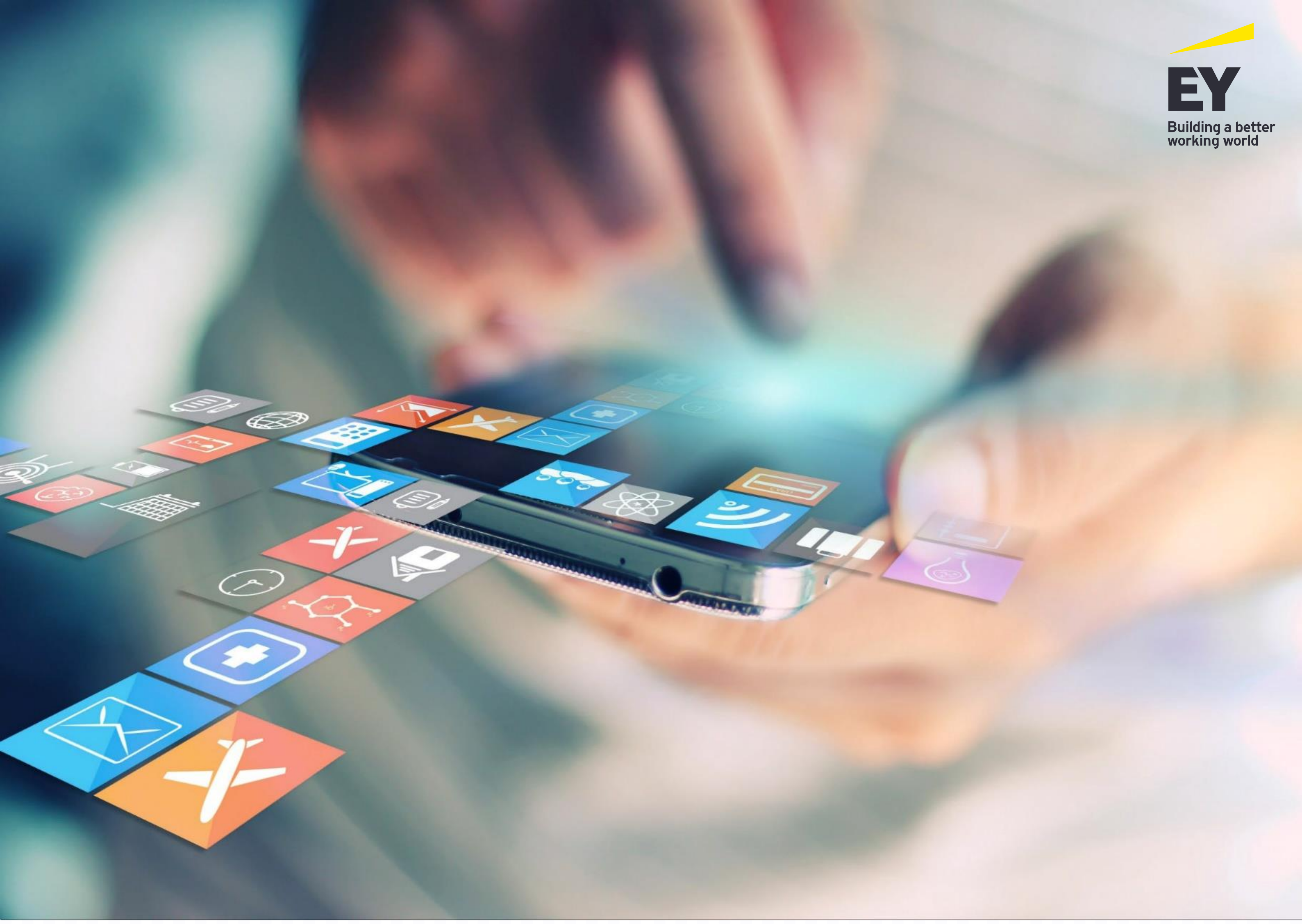
There were various measures to maintain and enhance Fiji's competitiveness as an investment destination, address leakages, improve the regulatory framework and business landscape and spur economic growth.

It is encouraging that the Government will hold consultation sessions with the relevant stakeholders to study the CGT and dividend tax proposal in greater detail. We hope this consultative approach continues for all significant new tax proposals, such as any broad-based consumption tax which may be considered in the future.

Against the backdrop of economic uncertainty, the Government has designed well-balanced policies to attract investors, support the vulnerable and maintain fiscal responsibility. We look forward to the implementation of the Budget.

As the Government rolls out the implementation of FY23/24 Budget:

- We look forward to further initiatives to encourage and empower SMEs to digitize their business processes for better efficiencies and productivity.
- Consumer, regulatory and employee expectations have heightened and pressure for sustainable practices has increased. With this, Fiji businesses must embrace environmental, social and governance (ESG) in all aspects of their operations, in order to participate in global supply chains. Businesses, in particular SMEs, will look to the Government for support and direction as they embark on their ESG journey.



Economic outlook

The Fiji's Economy

Budget 2023-24 strongly supports domestic demand

Key takeaways

What a difference 12 months makes.

The **Fiji economy** is estimated to grow by **8.0** percent in 2023 largely driven by the anticipated full recovery in visitor arrivals to pre-pandemic levels. Accordingly, tourism related sectors such as accommodation & food services, transport & storage, whole sales & retail sales, and administration services are expected to be the key drivers of growth in FY23. Conversely, positive contributions are also expected from agriculture, forestry, manufacturing, electricity, construction and net taxes.

Growth is forecast to return to the pre-pandemic trend in the medium term. As such, a broad-based growth of **3.8** percent and **3.0** percent is forecast for 2024 and 2025, respectively.

Year-end **inflation** is forecast at **2.8** percent, slightly lower than the 3.1 percent at the end of 2022. The annual average inflation rate is anticipated to moderate to 2.0 percent from the 4.3 percent in 2022, in tandem with the expected fall in energy prices. *Over the medium term, inflation is forecast at 2.3 percent in 2024 and 2.5 percent in 2025.*

In FY2022-2023, **total exports** are forecast to grow by **4.8** percent to $2,433.8 million, largely due to the growth in re-exports (10.8 percent) coupled with a slight expansion in domestic exports (0.6 percent). The strong growth in re-exports is driven by the economic rebound in Pacific Island Countries (PICs). *Total exports are forecast to grow by **4.9** percent to $2,553.1 million and 4.1 percent to $2,657.9 million in FY2023-2024 and FY2023-2025, respectively. The anticipated growth is in line with the expected improvement in domestic production of mineral water, gold and sugar.*

In FY2022-2023, **total imports** are projected to rise by **3.1** percent to $6,789.0 million, led by growth in mineral fuel, machinery & transport equipment and food imports. *In FY2023-2024 and FY2024-2025, total imports are forecast to increase by a modest 1.4 percent to $6,885.7 million and 1.0 percent to $6,957.5 million, respectively. Global commodity prices and inflationary pressures in trading partners are anticipated to moderate, while domestic demand is expected to return to pre-pandemic trend.*

The Budget 2023-24 is based on the following key thrusts below, to shape and build a thriving and dynamic future for Fiji.

- **Sustainability**
- **Resilience**
- **Respect**
- **Innovation**
- **Public participation**
- **Trust**

The Budget is guided by following key principles and key initiatives:

Key principles

- Sustainable and inclusive economic growth
- Governance and institutional reforms
- Social justice to moderate inequalities

Strategic initiatives

- Fiscal sustainability
- Meeting the economic needs of Fijians
- Attracting high impact investments
- Revitalizing the public sector and local government
- Empowering public-private cooperation
- Prioritizing the digital agenda
- Strengthening the role of government agencies and government linked-companies
- Infrastructure upgrades
- Reducing absolute poverty
- Reducing the cost of living
- Fostering harmony and unity
- Ensuring the availability of quality basic needs

Economic Indicators

1. Economic growth and Inflation rate

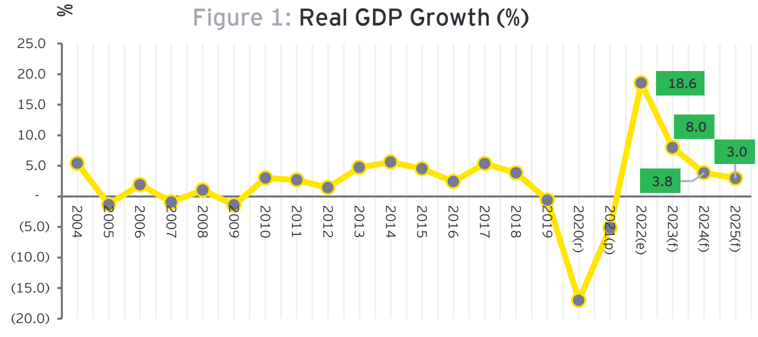


Figure 1: Real GDP Growth (%)

Sources: Fiji Bureau of Statistics and 2023-24 Economic and Fiscal Update (Ministry of Finance)

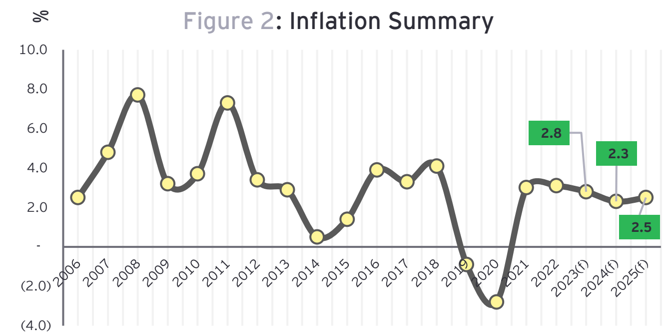


Figure 2: Inflation Summary

Sources: Fiji Bureau of Statistics and 2023-24 Economic and Fiscal Update (Ministry of Finance)

2. Consumer Price Index and Terms of Trade

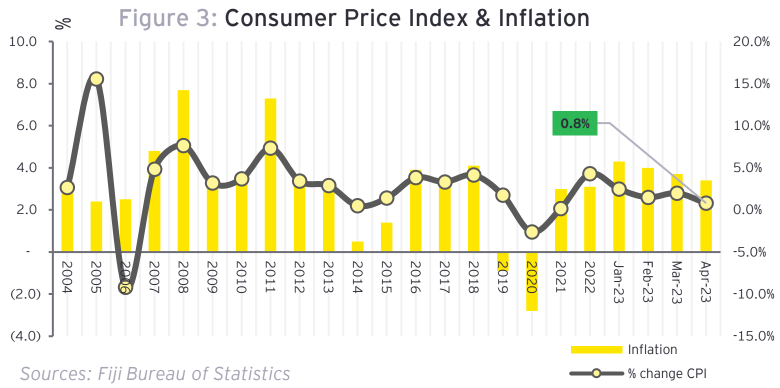


Figure 3: Consumer Price Index & Inflation

Sources: Fiji Bureau of Statistics

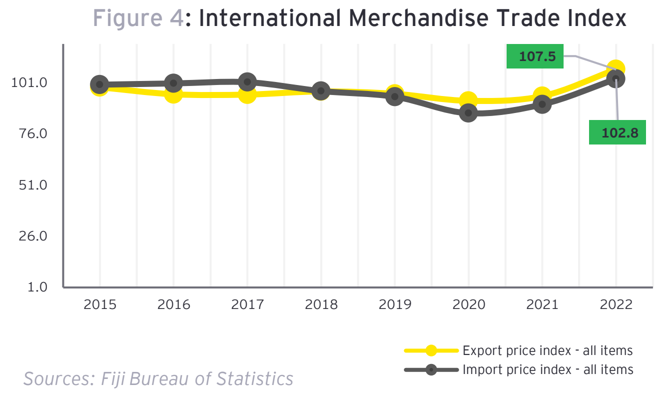


Figure 4: International Merchandise Trade Index

Sources: Fiji Bureau of Statistics

3. Interest Rates (%) and Others

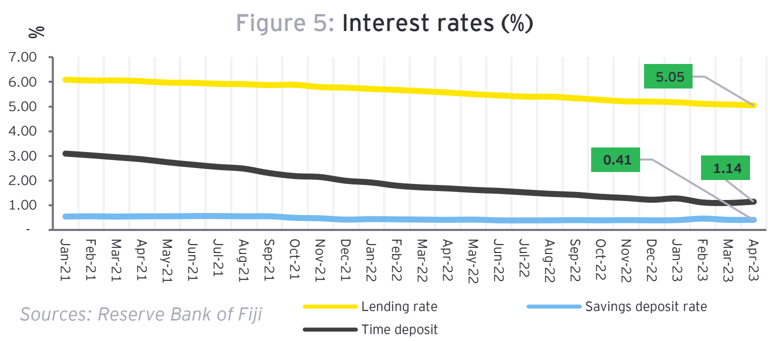


Figure 5: Interest rates (%)

Sources: Reserve Bank of Fiji

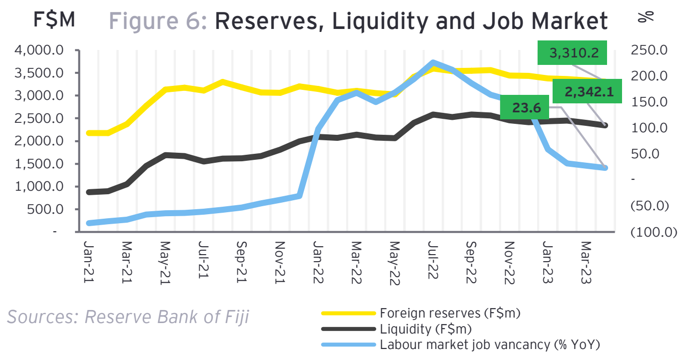


Figure 6: Reserves, Liquidity and Job Market

Sources: Reserve Bank of Fiji

4. Other indicators

	2021	2022 (p)	2023 (f)	2024 (f)	2025 (f)
Economic growth (%)	-5.1%	18.6%	8.0%	3.8%	3.0%
Inflation rate (%)	3.0%	3.1%	2.8%	2.3%	2.5%
Visitor arrivals in pax	31,618	636,312	894389	921,221	948,857
Sugar & molasses exports (FJ$M)	90.3	159.7	148.0	166.5	175.3
Timber exports (FJ$M)	89.6	71.4	72.9	68.5	69.8
Gold exports (FJ$M)	132.5	101.4	72.2	110.9	150.5
Fish exports in (FJ$M)	55.4	77.9	81.8	85.2	88.1
Mineral water exports in (FJ$M)	312.9	361.8	387.8	407.2	427.6

Sources & Notes:

Data from 2015-2021 are based on the Fiji Bureau of Statistics August 31, 2022 release.

2023-2025 is from Budget Summary

(e) - estimated
(f) - forecast
(p) - provisional
(r) - revised
n.a - not available

Government's Fiscal Performance

Micro-fiscal developments

The table below is the cashflow statement that provides the fiscal position of Government of 3 comparable years.

In FJ$M	2019-20 (Actual)	2020-21 (Actual)	2021-22 (Actual)	2022-23 (Revised)	2023-24 (Budget)
Direct taxes	610.5	466.2	464.6	646.6	816.4
Indirect taxes (ex. SEG 13 VAT)	1,551.7	918.5	1,197.9	1,559.3	2,180.3
Value Added Tax	596.1	415.2	630.6	947.6	1,422.2
Customs Tax	528.9	399.8	442.0	467.3	556.0
Service Turnover Tax	62.5	1.1	0.1	0.1	0.0
Water Resource Tax	56.2	72.0	83.6	73.3	91.6
Departure Tax	113.8	0.9	16.4	61.4	99.8
Stamp Duty	66.3	7.9	0.5	0.1	0.0
ECAL	126.9	20.8	23.9	8.7	9.8
Telecommunication Levy	0.9	0.8	0.8	0.9	0.9
Fee, Fines, Charges & Penalties	141.7	123.7	148.7	158.9	166.6
Grants in aid	67.6	283.8	232.6	157.9	216.8
Other revenue	95.0	104.2	110.2	112.8	203.0
Total operating receipts	**2,446.5**	**1,896.3**	**2,153.9**	**2,635.4**	**3,583.2**
Operating payments	(2,333.8)	(2,189.0)	(2,261.5)	(2,424.9)	(3,036.9)
Net operating (deficit)/surplus	**132.7**	**(292.6)**	**(107.6)**	**210.5**	**546.3**
Investment receipts	218.5	218.7	7.4	3.5	6.7
Investment payments	(988.2)	(973.3)	(1,123.0)	(960.8)	(1,185.4)
Net (deficit)/surplus	**(637.0)**	**(1,047.3)**	**(1,223.3)**	**(750.3)**	**(639.1)**
as a % of GDP	*(5.9)*	*(11.1)*	*(11.9)*	*(6.2)*	*(4.8)*

In FJ$M	2019-20 (Actual)	2020-21 (Actual)	2021-22 (Actual)	2022-23 (Revised)	2023-24 (Budget)
GDP at market prices	10,710.2	9,163.6	10,280.9	12,176.8	13,266.6
Debt	6,686.0	7,663.7	9,131.5	9,882.3	10,521.4
Debt as a % of GDP	*62.4*	*83.6*	*88.8*	*81.2*	*79.3*
Interest payments	345.1	363.2	370.3	454.3	529.4
Interest payments – % of total operation expenditure	*14.8*	*16.6*	*16.4*	*18.7*	*17.4*

Highlights

Real GDP Growth FY23-24
3.8%

Operating capital mix FY23-24
72:28

FY23-24 Fiscal Deficit
4.8% of GDP

38.0%
Growth in gross tax revenues

Debt to GDP forecast FY23-24
79.3%

Key takeaways

- The FY2023-2024 Budget projected a real GDP growth of 3.8% as per its baseline case. The Budget has assumed a fiscal year nominal GDP growth of 8.9% in FY2023-2024 and 5.5% in FY2024-2025.
- In line with the Government's Medium-Term Fiscal Strategy (MTFS) and the positive economic outlook for 2023, the net deficit for the FY2023-2024 is budgeted at $639.1 million or -4.8 percent of GDP. This is based on an estimated total revenue of $3,700.7 million and total expenditure of $4,339.9 million. The targeted fiscal deficit for FY2023-2024 will be financed with a combination of domestic and concessional external borrowing. Given the lower deficit, Government debt will fall to 79.3 percent of GDP from 81.2 percent of GDP estimated for FY2022-2023.
- Tax revenue collections are projected at $3,107.7 million for FY2023-2024, an increase of $855.4 million (38.0 percent) relative to revised FY2022-2023 estimate. The higher tax revenue forecast is driven by the increase in VAT rate, corporate tax, departure tax, and customs and excise duties. Tax collections will be further boosted by the streamlining of tax incentives and concessions as well as the broad-based growth anticipated for the next fiscal year.
- Non-tax revenues are estimated at $593.1 million, an increase of $159.9 million or 36.9 percent compared to FY2022-2023. Government anticipates to receive around $216.8 million in cash grants and around $124.6 million in dividends from State Owned Enterprises (SOEs) and profits from the RBF in FY2023-2024.
- Total Government expenditure for FY2023-2024 is budgeted at $4,339.9 million, around $904.2 million higher than the revised estimate for FY2022-2023. 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 2023-2024 Budget stands at 72:28.

Budget 2023: Overview

Revenue strategy

The Government's revenue strategy for the medium-term will focus on a holistic review of the tax administration system including streamlining taxes and re-evaluating tax & duty exemptions and incentives.

The underlying revenue policy framework focuses on macro-fiscal stabilisation measures that will put Government debt to GDP ratio on a sustainable and downward path and increase revenue to GDP ratio to pre-pandemic levels. Based on the tax policies and economic growth projections, the medium-term revenue forecasts are expected to normalise to around 27.0 percent of GDP.

The revenue policy is guided by the following principles:

- Widen the tax base by gradually removing exemptions and other distortions
- Improve tax compliance and collection of tax arrears
- Make the tax regime and tax administration even more simpler to encourage tax compliance
- Review non tax revenues on a cost recovery basis while also ensuring that the vulnerable and disadvantaged are protected.

Expenditure strategy

To improve the effectiveness and quality of public services, Government will focus on zero-based budgeting in the medium-term. This will help reduce unproductive spending, review transfers to extra budgetary units, streamline operations and prioritise high impact capital projects. A capital operating mix of at least 30:70 will be targeted in the medium-term.

The key expenditure principles are as follows:

- 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
- Conduct proper investment appraisal and project selection for all new capital projects as per Public Sector Investment Program and National Infrastructure Investment Plan
- Resources to 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
- Encourage more private sector participation in public infrastructure projects and delivery of other public services through Public-Private Partnerships (PPP) and other innovative arrangements
- Proper and effective monitoring of projects and budget utilisation through the Ministry of Finance
- Funding for ongoing programmes to be based on assessment of current and past performance and progressive achievement of planned outputs.

Medium term fiscal framework

The table below outlines the fiscal framework for the FY2022-2023 Budget and the medium-term, taking into account the macroeconomic forecasts.

Particulars	22-23 (Revised)	23-24 (Budget)	24-25 (Budget)	25-26 (Budget)
Revenue	2,685.4	3,700.7	3,868.1	4,004.0
As at % of GDP	*22.1*	*27.9*	*27.6*	*27.3*
Expenditure	3,435.7	4,339.9	4,361.6	4,440.1
As a % of GDP	*28.2*	*32.7*	*31.2*	*30.2*
Net deficit	(750.3)	(639.1)	(493.4)	(436.0)
As a % of GDP	*(6.2)*	*(4.8)*	*(3.5)*	*(3.0)*
Debt	9,882.3	10,521.4	11,014.9	11,450.9
As a % of GDP	*81.2*	*79.3*	*78.7*	*77.9*
GDP at market prices	12,176.8	13,266.6	13,991.9	14,691.4

The Ministry of Finance is currently working on a 15-year fiscal management plan and details will be released later as this requires a careful consideration on the pace of fiscal consolidation and growth and development.

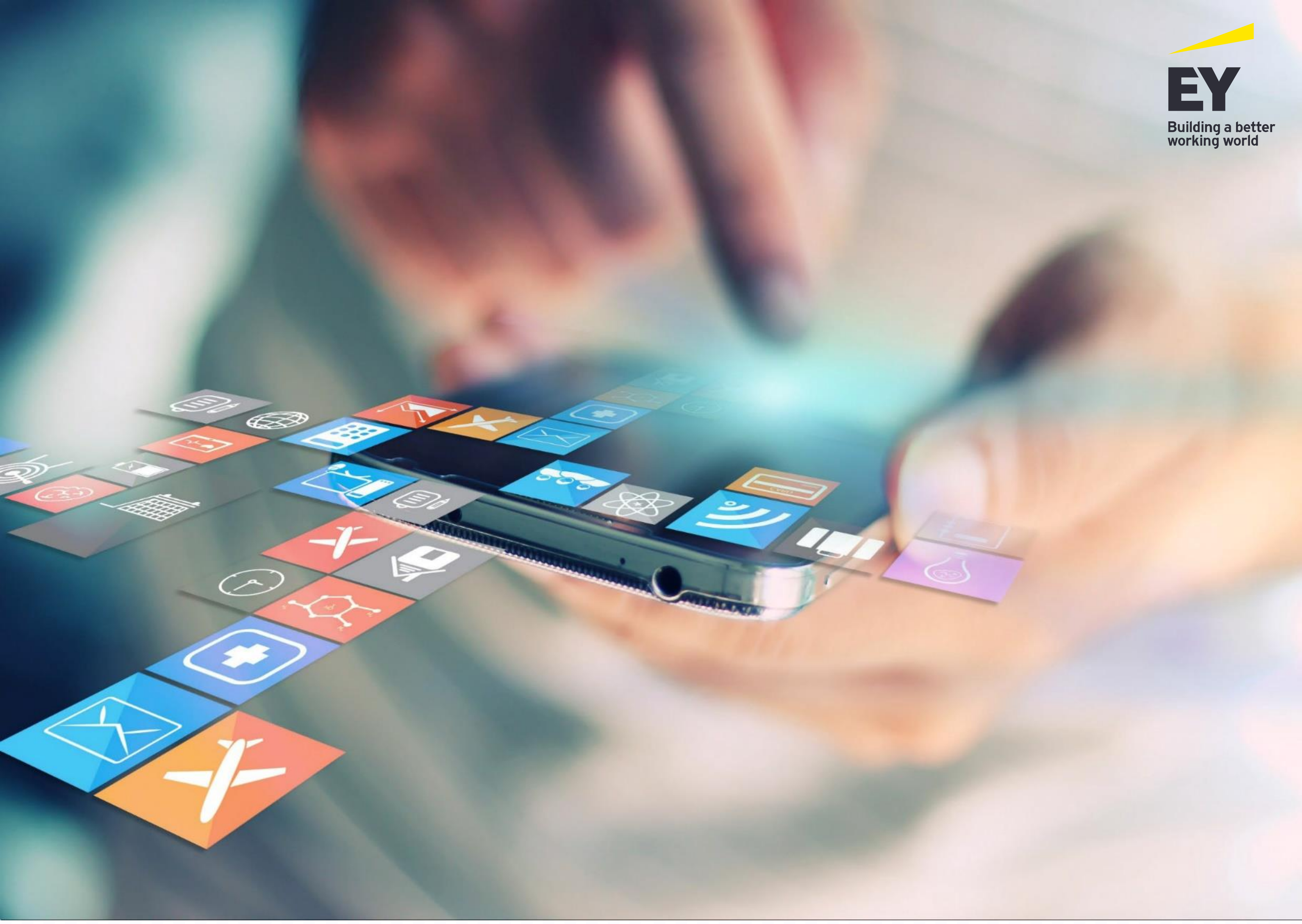
Government Debt

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
- Support the development of a well-functioning domestic market for debt securities.

The Government's debt is projected to reach $9,882.3 million or 81.2 percent of GDP by the end of July 2023, slightly lower than the earlier projection of $10,003.7 million. This comprises $6,218.2 million in domestic debt and $3,664.1 million in external debt. Table below depicts Government's debt position from FY2019-2022 to FY2022-2023(f).

In FJ$M	July-19	July-20	July-21	July-22	July 23(f)
Domestic debt	4,278.5	4,976.5	5,241.2	5,767.4	6,218.2
External debt	1,456.8	1,709.5	2,422.5	3,364.1	3,664.1
Total debt	5,220.5	6.686.0	7,663.7	9,131.5	9,882.3
Debt (as a % of GDP)	48.8	62.4	83.6	88.8	81.2
Domestic debt to Total debt (%)	75.0	74.0	68.4	63.2	62.9
External debt to Total debt (%)	25.0	26.0	31.6	36.8	37.1



Tax measures

1. Direct tax measures
2. Indirect tax measures

Tax measures

Simplifying compliance burden and ensuring stability of corporate regime

2023-2024 Tax Policy Measures Highlights

Direct Tax

- Increase in Corporate Tax Rate
- Increase Corporate Tax Rate for South Pacific Stock Exchange (SPSE) Listed Companies
- Capital Gains Tax (CGT) exemptions extended to include ownership with family members for disposal of first residential property
- Income Tax Exemption for Water Extraction & Water Bottling Business
- Film rebates to be issued as part of government expenditure
- Discouragement of treaty shopping

Indirect tax

- Simplification of the VAT rate.
- Suspension of the VAT Monitoring System (VMS)
- Increase in Airport Departure Tax
- Increase in the Water Resource Tax rate
- Increase in customs duties for luxurious goods and food items and subsequent further reduction for basic food items year.

Personal tax

- Simplification of income tax rates with the removal of the Social Responsibility Tax (SRT).

Key takeaways

- Increase in net VAT collections of around $445.6 million from the increase of the VAT rate from 9 percent to 15 percent whilst maintaining zero-rated VAT on 21 basic items with the addition of prescribed medicines to the zero-rated list. The realignment of VAT rates will eliminate issues of ambiguity around application of VAT, unnecessary administrative issues for businesses, boost revenue collections and remove the risks of non-compliance.
- Increase in the corporate tax rate from 20 percent to 25 percent while for companies eligible for lower tax rate as part of SPX tax incentive, the tax rate will be increased from 10 percent to 15 percent.
- Increase in departure tax from $100 to $125 from 1 August 2023 and to $140 from 1 January 2024.
- Increase in excise duties on alcohol and tobacco products by 5 percent and an increase in excise tax of 5 cents per litre on carbonated/sugar-sweetened Beverages.
- Increase in the import excise duty by 5 percent for passenger motor vehicles (for both new and used vehicles) along with reductions in the fiscal duty for food products.
- Reduction of the Social Responsibility Tax by 5 percent effective from 1 January 2024 along with the simplification of the structure by merging with the PAYE structure.
- Increase in the water resource tax rate from 18 cents per litre to 19.5 cents per litre for every litre of water extracted exceeding 10,000,000 litres per month.

Direct tax measures (1/3)

(i) Income Tax Act

Policy	Description
1. Corporate Income Tax Rate	▸ The corporate income tax rate will increase from 20% to 25%. ▸ This policy will be effective from tax year 2023.
2. Corporate Income Tax Rate for South Pacific Stock Exchange Listed Companies	▸ The corporate income tax rate of 10% available to companies listed on ▸ the South Pacific Stock Exchange will increase to 15%. ▸ This policy will be effective from tax year 2023.
3. Social Responsibility Tax (SRT)	▸ SRT will be incorporated into the Pay As You Earn (PAYE) tax bracket. ▸ There will be a 5% reduction for PAYE income brackets above $270,000. ▸ This policy will be effective from 01 January 2024. ▸ The new PAYE tax table is as follows.

Residential Individual

Chargeable Income ($)	Income Tax $
0 -30,000	Nil
30,000-50,000	18% of excess over $30,000
50,001-270,000	$3,600 + 20% of excess over $50,000
270,001-300,000	$47,600 + 33% of excess over $270,000
300,001-350,000	$57,500 + 34% of excess over $300,000
350,001-400,000	$74,500 + 35% of excess over $350,000
400,001-450,000	$92,000 + 36% of excess over $400,000
450,001-500,000	$110,000 + 37% of excess over $450,000
500,001-1,000,000	$128,500 + 38% of excess over $500,000
1,000,001 +	$318,500 + 39% of excess over $1,000,000

Non-Residential Individual

Chargeable Income ($)	Income Tax ($)
0 -30,000	20% of excess over $0
30,001-50,000	$6,000 + 20% of excess over $30,000
50,001-270,000	$10,000 + 20% of excess over $50,000
270,001-300,000	$54,000 + 33% of excess over $270,000
300,001-350,000	$63,900 + 34% of excess over $300,000
350,001-400,000	$80,900 + 35% of excess over $350,000
400,001-450,000	$98,400 + 36% of excess over $400,000
450,001-500,000	$116,400 + 37% of excess over $450,000
500,001-1,000,000	$134,900 + 38% of excess over $500,000
1,000,001 +	$324,900 + 39% of excess over $1,000,000

Policy	Description
4. First Residential Property – Capital Gains Tax (CGT) Exemption	▸ The CGT exemption on gain made on disposal of the first residential property which is limited to sole ownership or co-ownership with his or her spouse including a spouse living in a de-facto-relationship will be extended to include ownership with siblings parents children, and grandparents
5. Capital Gains Tax (CGT) on Sale of Shares	▸ The CGT exemption on gains made on the disposal of shares if the shares were held by the person before 1 May 2011 will be repealed. ▸ This policy will be effective from 01 July 2023. All applications still under consideration as at 01 July 2023, will be treated in accordance with the new law.
6. Warehouse Incentive Package (WIP)	▸ The Warehouse Incentive Package will be repealed. ▸ This policy will be effective from 01 July 2023 and any applications received before 01 July 2023 will be accepted.

Direct tax measures (2/3)

(i) Income Tax Act (continued)

<table>
<tr><th>Policy</th><th>Description</th></tr>
<tr><td>7. ICT Incentive</td><td>▸ The ICT Incentive Regulations will be amended with new definitions of the ICT business with qualifying conditions such as minimum investment levels and the minimum number of employees. The conditions are summarized below:
<table><tr><th>Capital Investment</th><th>Tax Holiday</th><th>Minimum Employees</th></tr><tr><td>$100,000 to $250,000</td><td>5-year tax holiday</td><td>25</td></tr><tr><td>$250,001 to $500,000</td><td>7-year tax holiday</td><td>50</td></tr><tr><td>$500,001 to $1,000,000</td><td>10-year tax holiday</td><td>75</td></tr><tr><td>Greater than $1,000,000</td><td>13-year tax holiday</td><td>100</td></tr></table>▸ This policy will be effective from 01 July 2023.</td></tr>
<tr><td>8. Resident Interest Withholding Tax (RIWT) Exemption</td><td>▸ To improve the ease of doing business for the banking sector, the Resident Interest Withholding Tax exemption on interest income less than $1,000 will be removed.
▸ The RIWT exemption which is available to senior citizens, pensioners, or individuals with a gross annual income of $30,000 will still be available.
▸ This policy will be effective from 01 January 2024.</td></tr>
<tr><td>9. Employment Taxation Scheme(ETS)</td><td>▸ The 300% tax deduction available for wages or salaries paid for hiring of first-time employees will be removed.
▸ The remaining incentives under the ETS scheme such as the incentive for work placements, apprenticeships, hiring of part-time worker</td></tr>
<tr><td>10. Tax Deduction for companies sponsoring Tertiary Education</td><td>▸ The 100% tax deduction available to companies on the amount of tuition and living expenses paid for student(s) at a higher education institution will be removed.</td></tr>
<tr><td>11. Income Tax Exemption for Water Extraction & Bottling Business</td><td>▸ The income of entities involved in the extraction and bottling of water will be exempt from Income Tax for 7 years. This will be ap-plicable to existing and new businesses.</td></tr>
<tr><td>12. Film Rebate</td><td>▸ To promote transparency in government revenue and expenditure reporting, the film rebates will now be issued as part of government expenditure initiatives and not through government tax revenue refunds</td></tr>
<tr><td>13. Application of Non-Resident Withholding Taxes</td><td>▸ To discourage treaty shopping, Section 10(8) of the Income Tax Act will be deleted.</td></tr>
<tr><td>14. Definition of ‘SLIP’</td><td>▸ The definition of Short Life Investment Package (SLIP) under the Hotel Incentives Regulations will be amended to limit newly incorporated entities to qualify for the incentive only</td></tr>
<tr><td>15. Filing of withholding tax certificates</td><td>▸ Due to the automation of the FRCS system, Regulations 18(2) of the Income Tax Withholding Regulations will be amended to remove the requirements for employers to file a manual copy of the withholding certificates to the CEO</td></tr>
<tr><td>15. ICT Start Up Incentive</td><td>▸ The ICT incentive has undergone various changes in the last few budgets including changes to the qualifying criteria and the level of benefits. As a result of these changes, Para 14, Part 9 of the ITA is now redundant therefore, this provision will be deleted from the ITA.
▸ Para 14 provides exemptions to the income of Information Communications Technology start-ups involved in application design or software development for a period of 13 years from the date of approval by the CEO.</td></tr>
</table>

Direct tax measures (3/3)

(ii) Tax Administration Act (TAA)

Policy	Description
1. Tax Agents Board (TAB)	▸ To ensure tax agents' ongoing professional development, the qualifying criteria for a new tax agent license, TAA will be amended to include the following: – The applicant must be a chartered accountant (CA) of the Fiji Institute of Chartered Accountants (FICA) or – Hold membership of a similar body. – The new criteria will not apply to existing tax agents. ▸ TAB will be empowered to conduct verifications such as additional reference checks, qualifications or any other verifications deemed necessary ▸ The fees for applications and renewals of the Tax Agents license will be increased which will come into effect from 01 January 2024. The new rates are as follows: – New applications: $436 to $500 – Renewals: $218 to $350 ▸ The terms "Prescribed fee" will be removed and replaced with " Approved fee" which would allow TAB to set the fees
2. Alternate Dispute Resolution	▸ A new provision will be introduced to allow the taxpayers and FRCS to seek resolution for matters under the dispute through an Alternative Dispute Resolution process.
3. Arrival Alert	▸ TAA will be amended to allow FRCS to place arrival alerts at the border for returning taxpayers who have outstanding tax obligations.

Indirect tax measures (1/4)

(i) Value Added Tax (VAT) Act

Policy	Description
1. VAT Rates	▸ The three VAT rates will be replaced with a simplified two-VAT rate system. The new rates are as follows: 1. 9% VAT will increase to 15%, 0% will be maintained. 2. The 21 zero-rated items will be increased to 22 items with the addition of prescribed medicine. ▸ This policy will be effective from 01 August 2023.
2. VAT Monitoring System	▸ The planned further implementation of the VAT Monitoring System will be paused whilst the entire system is reviewed

(ii) Airport Departure Tax Act

Policy	Description
1. VAT Rates	▸ The Airport Departure Tax will increase to: 1. $125 effective from 01 August 2023 2. $140 effective from 01 January 2024

(iii) Customs Tariff Act

Policy	Description
1. Fuel Rebate for Bus Companies operating in Vanua Levu and Taveuni	▸ A 10 cents per liter fuel rebate will be provided to bus companies operating in Vanua Levu and Taveuni. ▸ The existing 2 cents per liter will be maintained for all other regions.
2. Duty on Motor Vehicles	▸ Import Excise Duty on new and used passenger motor vehicles will increase by 5%.

Motor Vehicles Duty Rate Changes

Cylinder Capacity	Hybrid Category	Old Rates		New Rates	
		Fiscal Duty	Import Excise	Fiscal Duty	Import Excise
Less than 1,500cc	New	5%	Free	5%	5%
	Used	$2,000	Free	$2,000	5%
1,500cc to 2,500cc	New	5%	Free	5%	5%
	Used	$2,250	Free	$2,250	5%
2,500cc to 3,000cc	New	5%	Free	5%	5%
	Used	$2,500	Free	$2,500	5%
Exceeding 3,000cc	New	5%	Free	5%	5%
	Used	$4,250	Free	$4,250	5%

Cylinder Capacity	Non- Hybrid Category	Old Rates		New Rates	
		Fiscal Duty	Import Excise	Fiscal Duty	Import Excise
Less than 1,000cc	New	5%	5%	5%	10%
	Used	15% or $2,750/unit	Free	15% or $2,750/unit	5%
1,000 to 1,500cc	New	5%	5%	5%	10%
	Used	15% or $3,875unit	Free	15% or $3,875unit	5%
1,500cc to 2,500cc	New	5%	5%	5%	10%
	Used	5% or $5,000/unit	Free	5% or $5,000/unit	5%
2,500cc to 3,000cc	New	5%	5%	5%	10%
	Used	5% or $6,750/unit	Free	5% or $6,750/unit	5%
Exceeding 3,000cc	New	5%	5%	5%	10%
	Used	5% or $8,125/unit	Free	5% or $8,125/unit	5%

Indirect tax measures (2/4)

(iii) Customs Tariff Act (continued)

Policy	Description
3. Fiscal Duty on Concession codes 231, 231A, 231B, 235, 235A, 236, 236A and 236B	▸ A 3% fiscal duty will be imposed on all goods imported under the following concession codes: a. Concession code 231, applicable for Packaging materials for a Producer or manufacturer. b. Concession code 231A, applicable for an approved exporter of local fresh produce. c. Concession code 231B, applicable for an approved importer or exporter of locally manufactured/produced goods. d. Concession code 235, applicable to existing hotels and resorts. e. Concession code 235A applicable for new hotels and resorts granted approval under Short Life Investment Package (SLIP) as per the Income Tax (Hotel Investment Incentives) Regulations 2016. f. Concession code 236, applicable to a manufacturer or producer approved by the comptroller. g. Concession code 236A applicable to a manufacturer or producer approved by the Comptroller importing food-grade plastic pallets. h. Concession code 236B, applicable to a manufacturer or producer approved by the Comptroller for the processing of finished goods through assembly, mixing or blending.
4. Removal of Concession Codes 137, 138, 140, 117, 272 and 302	▸ The following concession codes will be removed: a. Concession code 137, which provides for duty-free importation on kitchenware and tableware products. b. Concession code 138, which provides for duty-free importation on biodegradable and environmentally friendly detergents. c. Concession code 140, which provides for duty-free importation of Led lights and lightning. d. Concession code 117, which offers fuel concessions for resorts, manufacturers, cruise vessels and mining industries. e. Concession code 272, which provides for duty-free importation of smartphones. f. Concession code 302, which provides for duty-free importation to companies involved in broadcasting and internet services.
4. Reduction in Fiscal Duty	▸ To reduce costs and ensure a consistent supply of products in the market, the duty rates on the following products will be reduced: a. The fiscal duty on the importation of sheep/lamb meat will be reduced from 5% to 0%. b. The fiscal duty on the importation of beef will be reduced from 32% to 15%. c. The fiscal duty on the importation of prawns will be reduced from 32% to 15%. d. The fiscal duty on the importation of ducks will be reduced from 32% to 15%. e. The fiscal duty on the importation of corned meat of lamb/sheep will be reduced from 32% to 15%. f. The fiscal duty on the importation of corned meat of beef will be reduced from 32% to 15%. g. The fiscal duty on the importation of canned mackerel will be reduced from 32% to 15%. h. The fiscal duty on the importation of canned tomatoes will be reduced from 15% to 5%.

Indirect tax measures (3/4)

(iii) Customs Tariff Act (continued)

Policy	Description
6. Reduction in Import Excise Duty	‣ The Import Excise Duty on the importation of chicken portions will be reduced from 10% to 0%.
7. Non-alcoholic wine	‣ A new breakdown will be made under the Customs Tariff Act to record the importation of non-alcoholic wine.
8. Tariff Alignment	‣ The Customs Tariff Act will be amended to remove the 'cc' ratings from the electric vehicle categories.
9. Tariff Alignment	‣ Sub-heading 0306 for HS codes 0306.11.00 to 0306.19.00 will be amended from "live, fresh or chilled" to "frozen"
10. Sugar Classification	‣ Alignment of sugar classification rates to capture sugar imports above 99.5 degrees at 32% fiscal duty.

(iv) Excise Act

Policy	Description
1. Excise Duty	‣ In line with the government's direction to control Non-Communicable Diseases (NCDs), the following changes will be implemented: – Domestic Excise Duty on alcohol will be increased by 5%. – Domestic Excise Duty on tobacco will be increased by 5%. – Domestic Excise Duty on carbonated or sugar-sweetened beverages will be increased from 35 cents per liter to 40 cents per liter. ‣ A corresponding increase to the import excise on the above products will also be imposed.
2. New Excise Duty on snacks and drinks	‣ A 40 cents per kg/liter domestic excise duty or 15% import excise duty will be imposed on the following products: – Sweet biscuits – Imported fruit juices – Ice cream – Snacks obtained by roasting, frying, baking, swelling, etc. – Sugar confectioneries ‣ This policy will be effective from 01 January 2024.
3. Certificate Fees under the Excise Act	‣ The fees for certificates under the Excise Act will be increased to $50 effective from 1 August 2023. The details are as follows: (see table below)
4. Apparatus for measuring alcohol strength	‣ The currently authorized instrument for measuring alcohol strength "Gay Lussac Hydrometer" will be extended to include other "approved apparatus".

No.	Document	Fee
1	Certificate of weight for each consignment	$50
2	Any other certificate issued by the Comptroller	$50
3	Certified copy of any document (for each 100 words or part of 100 words)	$50

Indirect tax measures (4/4)

(v) Water Resource Tax Act

Policy	Description
1. Increase in the Water Resource Tax Rate	▸ The water resource tax rate for extraction above 10 million liters per month will increase from 18 cents per liter to 19.5 cents per liter.

(vi) Customs Act

Policy	Description
1. Goods Warehousing Period	▸ The goods warehousing period will revert to pre-COVID practice. ▸ The warehousing period for items under Chapter 84 (machinery & mechanical appliances) and Chapter 87 (motor vehicles) will only be for 1 year and with no extensions. ▸ Other goods can be warehoused for 1 year with an extension of 6 months.
2. Import VAT Deferral	▸ Section 92 of the Custom Act will be amended to remove the policy on Import VAT deferral for 60 days available to Gold Card Companies. This was a measure introduced during the pandemic to assist businesses with cash flow issues.
3. Customs Entry Post Modification Fee	▸ A $15 post-modification fee will be imposed on all post-customs post entry modifications.
4. Definition of "Cargo Reporter"	▸ A new definition of "cargo reporter" will be incorporated in the Customs Act. The new definition has been provided below: – "cargo reporter" in relation to a ship or aircraft and in relation to a particular voyage or flight means the operator of the ship or the aircraft; a Shipping Agent in respect of the ship; or a freight forwarder in respect of the ship or aircraft; for the voyage or flight."
5. Advance Notification of Cargo Information	▸ A new provision will be made for the advance notification of cargo information. ▸ This provision will provide for the requirement of cargo reporters to produce the advance cargo information on cargoes prior to the ship or aircraft arriving in Fiji
6. Electronic Data Access	▸ Section 111 of the Customs Act will be amended to enable FRCS to access electronic data under the 'Power of Search' provisions.
7. Remittance of Court Matters	▸ The Customs Act will be amended to allow the court to remit matters to the Comptroller.
8. Objections and Appeals Provisions	▸ The Customs Act will be amended to allow FRCS to recover disputed duty despite the matter being in court.

Suva contacts

Steven Pickering
CMP – Assurance, Transaction & Tax
Steve.pickering@fj.ey.com

Sikeli Tuinamuana
Senior Partner - Assurance
Sikeli.tuinamuana@fj.ey.com

Minay Prasad
Partner - Assurance
Minay.prasad@fj.ey.com

Peni Tora
Associate Partner - Assurance
Peni.tora@fj.ey.com

John Faktaufon
Director - Tax
John.faktaufon@fj.ey.com

Suvia Yee Peckham
Senior Manager - Tax
Suiva.peckham@fj.ey.com

Fareesha Shah
Senior Manager - Tax
Fareesha.shah@fj.ey.com

Vaughan Tuinamuana
Senior Manager - Assurance
Vaghan.tuinamuana@fj.ey.com

Tekanawa Tekairaba
Senior Manager - Tax
Tekanawa.tekairaba@fj.ey.com

T: (+679) 333 4166
E: infor.suva@fj.ey.com

Nadi contacts

Shaneel Nandan
Partner – Assurance & Tax
Shaneel.nandan@fj.ey.com

Rovil Mani
Director – Assurance & Transaction
Rovil.mani@fj.ey.com

Atish Prakash
Senior Manager - Assurance
Atish.prakash@fj.ey.com

Deepak Prasad
Senior Manager - Tax
Deepak.prasad@fj.ey.com

T: (+679) 666 2433
E: infor.suva@fj.ey.com

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

ey.com