



Fiji COVID-19 Response Budget

26 March 2020

The Honourable Attorney-General and Minister for Economy, Civil Service and Communications, Aiyaz Sayed-Khaiyum presented the COVID-19 Response Budget on Thursday, 26 March 2020. This budget newsletter sets out highlights of the budget measures.

Contents

Highlights
Tax Administration
Income Tax
Value Added Tax
Customs Act
Customs Tariff Act
Stamp duty
Fiji National Provident Fund
Other measures
Reserve Bank of Fiji
Expenditure

Highlights

Highlights of the response budget include:

- \$1 billion COVID-19 Stimulus Package announced together with FNPF
- Fiji economy projected to contract by 4.3 percent this year
- Debt to GDP ratio to increase to 60.9 percent in 2020. Economic rebound and stronger revenues expected following COVID-19 pandemic
- Asian Development Bank to top up its previously-pledged funding of US\$100 million by up to US\$100 million more. World Bank offering US\$5.5 million from its COVID-19 facility
- downturn in tourism industry expected to impact GDP by 38 percent
- budget aimed at providing our doctors and nurses with the tools needed to combat the virus and keep them and Fijian families safe
- Tertiary Education Loan repayments suspended until 31 December 2020

Tax Administration

- waiver of all late lodgement penalties incurred after 1 April 2020 until 31 December 2020
- implementation of the VAT monitoring system (VMS) deferred to 1 January 2021
- VMS applicable to gross turnover of more than \$100,000. Taxpayers who voluntarily register for VAT (gross turnover less than \$100,000) will not be captured for VMS

Income Tax

- new hotel investment incentive package introduced. Income tax holiday of 5, 7 or 13 years, depending on level of capital investment to the end of 2022 or standard allowance of 25 percent
- export income deduction increased from 50 percent to 60 percent from 2020 to 2022
- business losses up to \$20,000 to be deductible against employment income
- certificate of exemption to be reintroduced for Contractors Provisional Tax
- advance tax payments relaxed to nine payments at a rate of 11.1 percent per month
- penalties on estimated tax to be removed up until 31 December 2020
- debt forgiveness for any and all outstanding debt by associated companies to not be subject to income tax effective from 1 April 2020 to 31 December 2020
- thin capitalisation rules to be suspended up until 31 December 2020
- 300 percent tax deduction for donations to the Government's COVID-19 donor fund
- 300 percent tax deduction for wages and salaries paid to employees who are self-quarantined and approved by the Ministry of Health. Family Care Leave to be utilised first
- Employment Taxation Scheme (ETS) incentives for first full-time employee and student apprenticeships to increase from 200 percent to 300 percent. ETS incentives for employees with disabilities employed for three years will increase from 300 percent to 400 percent

- 100 percent write-off up to \$10,000 available on the purchase of fixed assets up to 31 December 2020
- 100 percent write-off granted for the construction of new commercial and industrial buildings, approvals to be granted before 31 December 2020
- tax deduction given to cover any rental reductions made to existing commercial contracts, from 1 April 2020 to 31 December 2020
- the processing of applications and pending payments under the Film Fiji tax rebate on hold until the COVID-19 pandemic passes

Value Added Tax

- VAT exemption on imports for a range of medical supplies and equipment, effective immediately

Customs Act

- warehousing period extended to 12-months with extension provision introduced

Customs Tariff Act

- reduction in fiscal duty on essential medical supplies to zero percent
- gradual increase in fiscal duty on the importation of diesel and petrol by 20 cents per litre

Stamp duty

- removal of \$10 stamp duty on export air waybills
- reduction of stamp duty for Fiji residents on mortgages from 1.75 percent to zero percent
- reduction of stamp duty for foreign nationals on mortgages from 5 percent to zero percent

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Fiji National Provident Fund

- effective from 1 April 2020 to 31 December 2020 reduction in employee and employer FNPF contribution from 8 percent and 10 percent to 5 percent respectively
- Fijian workers in the hospitality sector who have lost their jobs or have had their hours cut since 1 February 2020 able to access an initial \$1,000 from their FNPF accounts, with additional funds to be considered
- employees affected by the nationwide stipulated physical distancing requirements, along with employees in the Lautoka confined area who have been placed on leave without pay or had their hours cut, able to access an initial \$500 from their FNPF accounts
- Government to directly subsidise any shortfall in members balance

Other measures

- informal sector in the lockdown areas entitled to one-off Government relief payment of \$150 where holding a street trader or hawker license
- Government to fund 21 days COVID-19 leave for Fijian employees earning less than \$30,000 who have tested positive for the virus
- Fijians in the informal sector who tested positive for the virus to be paid a one-off sum of \$1,000
- banks and hire purchase companies to offer six month deferral of loan repayments for Fijians who have lost their jobs or had their hours reduced. Also available to businesses
- banks to waive all charges on minimum balances in customer's accounts and remove minimum purchasing requirement for electronic transactions
- Fiji Investment Corporation Limited to be revived for equity injection into SMEs

- conversion of Government loans to equity in Fiji Sugar Corporation, PAFCO, Fiji Rice Limited, Food Processors Limited and Viti Corp Company Limited
- Government to acquire FNPF and FHL's shares in the FSC
- WAF to suspend all disconnections until 31 December 2020
- EFL to match Government's 50 percent subsidy to its subsidised customers
- 20 percent pay cut for elected officials for the next six months
- pensioners monthly travel allowance reduced from \$40 to \$20

Reserve Bank of Fiji

- maintain the Overnight Policy Rate at 0.25 percent
- expand Natural Disaster and Rehabilitation Facility to include businesses affected by epidemics/pandemics. Renamed Disaster Rehabilitation and Containment Facility
- total allocation for facility now \$60 million. Businesses affected by COVID-19 can access funds under this facility through commercial banks, licenced credit institutions or FDB at a maximum interest rate of 5.0 percent

Expenditure

- additional \$40 million to enhance our health system's response capacity
- additional \$20 million to Education and Social Welfare respectively
- additional \$1 million allocation towards Ministry of Agriculture to bolster Fiji's food security
- \$50 million to the FSC to fund cane delivery payments
- additional \$5 million to be added to the small and medium enterprises credit guarantee scheme

IMPORTANT

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